

ETHEKWINI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Metropolitan Municipality
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	High Capacity, Category A, Local Authority
ACCOUNTING OFFICER	Mr. S. Nzuza
REGISTERED OFFICE	City Hall Dr. Pixle KaSeme Street Durban 4000
POSTAL ADDRESS	P O Box 1014 Durban 4000
MUNICIPALITY	Municipality incorporated in South Africa
BANKERS	Nedbank P O Box 5662, Durban, 4000
AUDITORS	The Auditor-General, South Africa

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

INDEX

The reports and statements set out below comprise the annual financial statements presented to the Councillors:

	PAGE
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Appropriation Statement	9 - 11
Accounting Policies	12 - 33
Notes to the Annual Financial Statements	34 - 105
Appendices: (unaudited)	
Appendix A: Segmental Analysis of Property, Plant and Equipment (unaudited)	106
Appendix B: Segmental Statement of Financial Performance (unaudited)	107
Appendix C: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA (unaudited)	108
Appendix D: Moses Mabhida Stadium - Statement of Financial Performance (unaudited)	109

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

INDEX

COID	Compensation for Occupational Injuries and Diseases
VAT	Value added tax
DBSA	Development Bank of South Africa
MFMA	Municipal Finance Management Act
GRAP	Generally Recognised Accounting Practice
PPE	Property, Plant and Equipment
HDF	Housing Development Fund
SALA	South African Local Authority Pension Fund
MSCOA	Municipal Standard Chart of Accounts
DMOSS	Durban Metropolitan Open Space System
ME's	Municipal Entities
SALGA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMPF	Natal Joint Municipal Pension Fund
DOHS	Department of Human Settlements
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee

eThekweni Municipality


Annual Financial Statements for the year ended 30 June 2019

Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages X to XXX, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

The annual financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 33 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

Durban

31 August 2019

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Statement of Financial Position as at June 30, 2019

Figures in Rand thousand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	603,097	533,376
Investments	3	5,950,000	5,700,000
Receivables from exchange transactions	4	2,577,269	2,144,689
Receivables from non-exchange transactions	5	57,108	81,845
VAT receivable	6	267,879	491,256
Consumer debtors	7	5,095,680	4,508,345
Current portion of Long term receivables	8	51,257	41,533
Call Investment Deposits	9	465,000	200,000
Cash and Bank Balances	10	241,248	198,368
		15,308,538	13,899,412
Non-Current Assets			
Investment property	11	209,064	208,645
Property, plant and equipment	12	50,839,591	48,043,350
Intangible assets	13	761,099	817,995
Heritage assets	14	24,739	24,536
Investments in Municipal Entities	15	920,819	940,831
Interest in Joint Ventures	16	100,311	129,714
Long term Receivables	8	82,087	58,292
		52,937,710	50,223,363
Total Assets		68,246,248	64,122,775
Liabilities			
Current Liabilities			
External Borrowings	17	1,098,628	874,388
Payables from exchange transactions	18	6,283,401	5,971,473
Transfers payable from non-exchange transactions	19	19,068	27,738
Consumer deposits	20	2,348,727	2,267,863
Employee benefit obligation	21	658,756	664,384
Unspent conditional grants and receipts	22	1,579,501	1,268,451
Provisions	23	705,274	618,825
		12,693,355	11,693,122
Non-Current Liabilities			
External Borrowings	17	8,321,287	7,286,712
Employee benefit obligation	21	3,295,808	3,547,237
Provisions	23	1,334,089	1,109,632
		12,951,184	11,943,581
Total Liabilities		25,644,539	23,636,703
Net Assets		42,601,709	40,486,072
Housing Development Fund	24	57,470	57,470
Accumulated surplus		42,544,239	40,428,602
Total Net Assets		42,601,709	40,486,072

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25&55	17,961,326	17,197,692
Rental of facilities and equipment	26	698,312	671,684
Other income	27&55	339,565	329,102
Interest received	28	991,220	882,273
Total revenue from exchange transactions		19,990,423	19,080,751
Revenue from non-exchange transactions			
Taxation revenue			
Fines	29	160,664	425,796
Property rates	30	8,338,608	7,637,632
Property rates - penalties imposed		220,690	149,141
Donations - Property, Plant and Equipment		457	857
Licences and permits		57,059	48,868
Transfer revenue			
Government grants & subsidies	31	5,880,635	5,814,555
Levies	32	2,338,680	2,211,611
Public contributions and donations		3,133	15,750
Reversal of loss on impairment: Investment Properties	11	3,927	346
Reversal of loss on impairment: Property, Plant and Equipment	12	-	4,029
Reversal of Impairment: Municipal Entities	15	-	32,052
Total revenue from non-exchange transactions		17,003,853	16,340,637
Total revenue		36,994,276	35,421,388
Expenditure			
Employee related costs	33	(10,276,109)	(9,909,724)
Remuneration of councillors	34	(126,495)	(119,344)
Amortisation - Intangible assets	13	(216,773)	(217,634)
Impairment Loss - Investment Properties	11	(2,726)	(2,102)
Depreciation - Property, Plant and Equipment	12	(2,084,311)	(2,094,256)
Impairment Loss - Property, Plant and Equipment	12	(15,009)	(13)
Finance costs	35	(857,834)	(852,343)
Lease rentals on operating lease		(127,397)	(128,983)
Debt Impairment	50	(1,276,588)	(1,844,299)
Depreciation - Investment Properties	11	(782)	(1,241)
Bulk purchases	36	(11,481,015)	(10,433,650)
Contracted services	37	(4,678,861)	(4,440,492)
Grants and subsidies	38	(547,527)	(463,419)
Loss on disposal of assets and liabilities		(1,987)	(4,664)
Share of Losses from Joint Ventures	16	(19,403)	(2,031)
Impairment Loss - Investment in Municipal Entities	15	(20,011)	-
General Expenses	39&55	(3,093,160)	(2,687,595)
Total expenditure		(34,825,988)	(33,201,790)
Surplus for the year		2,168,288	2,219,598

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

STATEMENT OF CHANGES IN NET ASSETS

	Housing development fund	Accumulated surplus	Total net assets
Figures in Rand thousand			
Opening balance as previously reported	123,512	38,417,454	38,540,966
Adjustments:			
Prior year adjustments (prior to 2017/18)	-	(274,492)	(274,492)
Balance at July 01, 2017 as restated	123,512	38,142,962	38,266,474
Changes in net assets			
Surplus for the year as previously reported	-	2,057,948	2,057,948
Housing Development Fund transfer	(66,042)	66,042	-
Total changes	(66,042)	2,123,990	2,057,948
Opening balance	57,470	40,266,952	40,324,422
Adjustments:			
Prior year adjustments (2017/18)	-	161,650	161,650
Restated* Balance at July 01, 2018 as restated*	57,470	40,428,602	40,486,072
Changes in net assets			
Surplus for the year	-	2,168,288	2,168,288
Change in Estimates - Landfill sites	-	437	437
Change in Estimates - Traffic fines	-	(53,088)	(53,088)
Total changes	-	2,115,637	2,115,637
Balance at June 30, 2019	57,470	42,544,239	42,601,709

Note(s)

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Cash Flow Statement

Figures in Rand thousand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Ratepayers, Consumers, Government and Other		34,056,205	32,565,915
Interest income		991,220	882,273
		35,047,425	33,448,188
Payments			
Employee costs and Suppliers		(29,822,089)	(27,457,550)
Finance costs		(857,834)	(852,343)
		(30,679,923)	(28,309,893)
Net cash flows from operating activities	40	4,367,502	5,138,295
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(4,899,337)	(4,478,921)
Proceeds from sale of property, plant and equipment, Intangibles & Investment Property	12	2,209	5,028
Purchase of other intangible assets	13	(159,840)	(192,851)
Purchase of Heritage assets	14	(203)	(497)
Capital repayment received from Joint Venture	16	-	6,848
Decrease (Increase) in non-current receivables		(11,266)	(10,106)
Net cash flows from investing activities		(5,068,437)	(4,670,499)
Cash flows from financing activities			
Proceeds from external borrowings		2,000,000	-
Repayment of external borrowings		(741,185)	(674,885)
Net cash flows from financing activities		1,258,815	(674,885)
Net increase/(decrease) in cash and cash equivalents		557,880	(207,089)
Cash and cash equivalents at the beginning of the year		6,098,368	6,305,457
Cash and cash equivalents at the end of the year	10	6,656,248	6,098,368

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	7,497,289	956,738	8,454,027	-	-	8,454,027	8,338,608		(115,419)	99 %	111 %
Service charges	19,499,130	(215,882)	19,283,248	-	-	19,283,248	17,961,326		(1,321,922)	93 %	92 %
Investment revenue	441,768	139,658	581,426	-	-	581,426	578,168		(3,258)	99 %	131 %
Transfers recognised - operational	5,783,214	108,751	5,891,965	-	-	5,891,965	5,815,614		(76,351)	99 %	101 %
Other own revenue	1,482,382	537,044	2,019,426	-	-	2,019,426	1,896,859		(122,567)	94 %	128 %
Total revenue (excluding capital transfers and contributions)	34,703,783	1,526,309	36,230,092	-	-	36,230,092	34,590,575		(1,639,517)	95 %	100 %
Employee costs	(10,310,326)	(385,089)	(10,695,415)	-	-	(10,695,415)	(10,276,109)	-	419,306	96 %	100 %
Remuneration of councillors	(132,014)	4,029	(127,985)	-	-	(127,985)	(126,495)	-	1,490	99 %	96 %
Debt impairment	(891,254)	(438,761)	(1,330,015)	-	-	(1,330,015)	(1,276,588)	-	53,427	96 %	143 %
Depreciation and asset impairment	(2,519,258)	127,820	(2,391,438)	-	-	(2,391,438)	(2,339,612)	-	51,826	98 %	93 %
Finance charges	(857,779)	308	(857,471)	-	-	(857,471)	(857,834)	-	(363)	100 %	100 %
Materials and bulk purchases	(12,430,836)	(343,770)	(12,774,606)	-	-	(12,774,606)	(12,587,199)	-	187,407	99 %	101 %
Transfers and grants	(478,375)	(92,500)	(570,875)	-	-	(570,875)	(547,527)	-	23,348	96 %	114 %
Other expenditure	(7,071,739)	(320,550)	(7,392,289)	-	-	(7,392,289)	(6,795,221)	-	597,068	92 %	96 %
Total expenditure	(34,691,581)	(1,448,513)	(36,140,094)	-	-	(36,140,094)	(34,806,585)	-	1,333,509	96 %	100 %
Surplus/(Deficit)	12,202	77,796	89,998	-	-	89,998	(216,010)		(306,008)	(240)%	(1,770)%

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3,441,476	(683,423)	2,758,053	-	-	2,758,053	2,403,701		(354,352)	87 %	70 %
Surplus (Deficit) after capital transfers and contributions	3,453,678	(605,627)	2,848,051	-	-	2,848,051	2,187,691		(660,360)	77 %	63 %
Share of surplus (deficit) of associate	-	-	-	-	-	-	19,403		19,403	- %	DIV/0 %
Surplus/(Deficit) for the year	3,453,678	(605,627)	2,848,051	-	-	2,848,051	2,168,288		(679,763)	76 %	63 %
Capital expenditure and funds sources											
Total capital expenditure	7,029,330	(522,935)	6,506,395	-	-	6,506,395	4,920,045		(1,586,350)	76 %	70 %
Sources of capital funds											
Transfers recognised - capital	3,441,476	(683,423)	2,758,053	-	-	2,758,053	2,403,701		(354,352)	87 %	70 %
Borrowing	1,000,000	1,206,264	2,206,264	-	-	2,206,264	2,206,264		-	100 %	221 %
Internally generated funds	2,587,854	(1,045,776)	1,542,078	-	-	1,542,078	310,080		(1,231,998)	20 %	12 %
Total sources of capital funds	7,029,330	(522,935)	6,506,395	-	-	6,506,395	4,920,045		(1,586,350)	76 %	70 %

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	5,510,359	(77,107)	5,433,252	-	-	5,433,252	4,367,502		(1,065,750)	80 %	79 %
Net cash from (used) investing	(7,096,323)	522,835	(6,573,488)	-	-	(6,573,488)	(5,068,437)		1,505,051	77 %	71 %
Net cash from (used) financing	268,979	1,010,225	1,279,204	-	-	1,279,204	1,258,815		(20,389)	98 %	468 %
Net increase/(decrease) in cash and cash equivalents	(1,316,985)	1,455,953	138,968	-	-	138,968	557,880		418,912	401 %	(42)%
Cash and cash equivalents at the beginning of the year	5,874,571	223,655	6,098,226			6,098,226	6,098,368		142	100 %	104 %
Cash and cash equivalents at year end	4,557,586	1,679,608	6,237,194	-	-	6,237,194	6,656,248		419,054	107 %	146 %

The adjustments budget values included above are subject to Council approval (refer to Note 54 - changes in the Executive Committee).
The final adjustments budget will be approved at the next Council meeting.

ACCOUNTING POLICIES

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. These accounting policies and the applicable disclosures have been based on the International Public Sector Accounting Standards and the International Financial Reporting Standards, including any interpretations of such Statements issued by the International Accounting Standards Board and International Public Sector Accounting Standards Board respectively.

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. Only Standards of GRAP, IGRAP Standards, Directives, Guidelines and IFRS Standards applicable to the Municipality have been disclosed. The Minister has determined the effective date for the following Standards of GRAP:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the Reporting Date
GRAP 16 Investment Properties
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-generating Assets
GRAP 27 Agriculture GRAP
GRAP 31 Intangible Assets
GRAP 100 Discontinued Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 Transfer of Functions between Entities Under Common Control
GRAP 106 Transfer of Functions between Entities Not Under Common Control
GRAP 107 Mergers

ACCOUNTING POLICIES

Directives issued and effective:

Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2: Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Public Further Education and Training Colleges and Constitutional Institutions.
Directive 3: Transitional Provisions for High Capacity Municipalities.
Directive 5: Determining the GRAP reporting framework.
Directive 7: The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 9: The Application of The Standards of GRAP by Trading Entities
Directive 11: Changes in the Measurement Bases following Initial Adoption of Standards of GRAP

Interpretations of the Standards of GRAP

IGRAP 1: Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3: Determining Whether an Arrangement Contains a Lease
IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9: Distributions of Non-cash Assets to Owners
IGRAP 10: Assets Received from Customers
IGRAP 11: Consolidation - Special Purpose Entities
IGRAP 12: Jointly Controlled Entities - Non-Monetary Contributions by Venturers
IGRAP 13: Operating Leases – Incentives
IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15: Revenue – Barter Transactions Involving Advertising Services
IGRAP 16: Intangible Assets - Website Costs

Approved guidelines of Standards of GRAP:

Guide 1: Guideline on Accounting for Public Private Partnerships

Effective IFRS Standards and IFRIC Interpretations that are applied considering the provisions in paragraphs .21 to .21 of Directive 5:

IFRS 4 (AC 141) Insurance Contracts
IAS 12 (AC 102) Income Taxes
SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
SIC - 29 (AC 429) Service Concession Arrangements - Disclosures
IFRIC 12 (AC 445) Service Concession Arrangements

Standards of GRAP that an entity may use to disclose information in its financial statements:

GRAP 20 Related Party Disclosures

Standards of GRAP and Interpretations of Standards of GRAP approved, but not yet effective:

ACCOUNTING POLICIES

GRAP 20: Related Party Disclosures-issued June 2011:

Compliance with this standard would have had an effect on the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

GRAP 32 and IGRAP 17: Service Concession Arrangements: Grantor - issued August 2013:

Compliance with this standard will not have an impact on the current financial information as no transactions relating to service concession arrangements exists in the current year

GRAP 108: Statutory Receivables - issued September 2013:

Compliance with this standard would have had an effect on presentation and disclosure only. GRAP 108 requires separate disclosure of statutory receivables together with additional disclosure on measurement basis and impairment criteria

GRAP 109: Accounting by Principals and Agents issued - July 2015 and Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme – Issued March 2017:

Compliance with this standard and guideline would have had an effect only on disclosure. Principal-agent transactions are recognised based on the accounting policy derived from this Standard and Guideline. However, the information disclosed in accordance with this Standard would still need to be provided for each material principal-agent arrangement and in aggregate for other principal-agent arrangements.

IGRAP 18: Recognition and Derecognition of Land - issued March 2017:

Compliance with this Interpretation of GRAP Standards would have an effect on the presentation and disclosure. The recognition criteria for control has been amended and there are additional disclosures relating to cases where there is control but no legal ownership and vice versa.

IGRAP 19: Liabilities to Pay Levies – Issued August 2017:

Compliance with this Interpretation of GRAP Standards would have an effect on the presentation and disclosure. The recognition criteria for liabilities in respect of levies has been amended, specifically to define the obligating event triggering the obligation to pay the levy.

A summary of the significant accounting policies are disclosed below. These accounting policies are consistent with the previous year, unless otherwise stated.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Housing development fund

The Housing Development Fund is accounted for in terms of the Housing Act, (Act No. 107 of 1997).

1.4 Employee Benefits Obligations

1.4.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages, salaries, social security contributions, paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

ACCOUNTING POLICIES

1.4 Employee Benefits Obligations (continued)

1.4.2 Defined contribution plans

The Municipality provides retirement benefits for its employees and councillors. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The Natal Joint Provident Fund, Multi Linked and South African Local Authority are defined contribution funds.

The Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Unaudited

ACCOUNTING POLICIES

1.4 Employee Benefits Obligations (continued)

1.4.3 Pension obligations

The Municipality and its employees contribute to 8 different Pension Funds, of which 2 (Durban Pension Fund and the KZN Pension Fund) cater for more than 86% of staff.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The following are defined benefit funds:

Durban Pension Fund

Government Employee's Pension Fund

Natal Joint Municipal Pension Fund - Superannuation

Natal Joint Municipal Pension Fund - RetirementDurban Pension Fund

The following are defined contribution funds:

KZN Pension Fund

Multi Linked

SALA

The other fund is a Provident Fund administered by Natal Joint Municipal Pension Fund.

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the Funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability/asset recognized in the statement of financial position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates, best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Past-service costs are recognised immediately in the statement of financial performance.

Any asset is limited to the net total of the present value of the defined benefit obligation at the reporting date minus the fair value at the reporting date of plan assets plus any liability that may arise as a result of a minimum funding requirement, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

ACCOUNTING POLICIES

1.4 Employee Benefits Obligations (continued)

1.4.4 Other post-employment benefit obligations

Healthcare Post-retirement Plans

The Municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the statement of financial performance in the year that they arise.

Multi-Employer Retirement Benefit Plans

The Municipality contributes to Government Employees Pension Fund, Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of annual financial statements are compiled for each fund not per employer. Further details of this plan are included in note 21.

1.4.5 Other Long-Term Employee Benefits

Other long-term employee benefits are in respect of long service awards. The amount recognised as a liability for long service awards is the present value of the defined benefit obligation at the reporting date using the Projected Unit Credit Method. There are no plan assets to settle the defined benefit obligation for long service awards.

The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows after taking into account rates of employee turnover, discounting rate, and future salary and benefit levels.

The liability recognized in the statement of financial position in respect of defined long service benefits is equal to the defined benefit obligation at the balance sheet date after taking into account adjustments for unrecognized actuarial gains or losses and past service costs.

Past-service costs are recognised immediately in the statement of financial performance.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

1.5 Significant Judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Significant judgements include:

ACCOUNTING POLICIES

1.5 Significant Judgements (continued)

Post Retirement Benefits and Multi-Employer Retirement Benefit Plans and Other Long-Term Employee Benefits

The present value of the long service award defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions and factors such as the rates of employee turnover, discounts rates, and future salary and benefit levels, which take into account market conditions.

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds . The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan is included in the notes to the annual financial statements.

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the asset's carrying amount and the recoverable amount. The recoverable amount is calculated based on the default history of debtors. Debtors are categorised per service type and a combination of the collection rate and age analysis per service type is used to calculate the recoverable amount. For property rates, past payment trends are used to calculate the recoverable amount since these debtors have a longer prescription period.

ACCOUNTING POLICIES

1.5 Significant Judgements (continued)

Non-cash generating and cash generating impairment testing

Management uses the higher of the fair value less cost to sell and value in use to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Where there is no active market to calculate the fair value less cost to sell, the recoverable amount is based on the value in use.

The assets of the municipality are linked to functional departments that provide the following core services of the municipality: electricity, water, sanitation, solid waste, gas to electricity, rates and general, joint ventures and municipal entities.

The assets linked to the provision of water, sanitation, solid waste and gas to electricity services are held to provide basic service delivery in line with section 24 and 27 of the South African Constitution stating that people have a right to an environment that is not harmful to their health or well-being, to have the environment protected for the present and future generations and a right of access to water. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

The assets linked to the provision of electricity are held to provide service delivery. Even though the Constitution does not deal with energy explicitly, electricity reticulation is identified as a municipal function and the municipality regards the provision of electricity as part of its basic services since it is a necessity and improves the quality of life. Furthermore, these assets do not generate a commercial return since the tariffs charged by the electricity department are below market rates, being the rates charged by Eskom and other metropolitan municipalities. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

The assets linked to the provision of rates and general services (i.e. parks, recreation and culture, human settlements etc.) are held to provide service delivery. There is no/nominal tariff charged for these services and the cost of providing these services is recovered through the rates imposed on the residents in the city. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

Municipal entities consist of Durban ICC SOC and Durban Marine Theme Park SOC. The intention behind holding these investments is to boost the economic activity within the eThekwini region since these entities are centred as tourist attractions. Any returns realised are considered to be incidental. The municipality provides certain grants to these entities to fund their operations and also provides a surety for the cash flow shortfalls. The investments in these entities are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment. To the extent that the underlying assets of the municipal entities generate commercial returns, these assets are designated as cash generating assets on the consolidated financial statements, whereas in all other cases they are designated as non-cash generating assets.

The municipality has two joint ventures, Effingham Development Joint Venture and Durban Point Development Company. The intention of holding these investments is to develop and market the serviced sites in an attempt to boost economic activity within the eThekwini region. Any returns realised are considered to be incidental. The investments in these joint ventures are therefore designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on the assets. To the extent that the underlying assets of the joint ventures generate commercial returns, these assets are designated as cash generating assets on the consolidated financial statements, whereas in all other cases they are designated as non-cash generating assets. All assets owned/recognised by the Municipality are held for the provision of basic services and are considered to be non-cash generating assets.

ACCOUNTING POLICIES

1.5 Significant Judgements (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the annual financial statements.

Provisions are measured at the Head of Department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

- the Municipality has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Fine revenue

Fine revenue is recognised after taking into account the probability of future withdrawals and reductions. The probability of withdrawals and reductions is based on a 5 year past trend of gross charges issued which are likely to be disputed. The success rate of the disputed fines is taken into account in calculating the probability of withdrawals and reductions.

Unaudited

ACCOUNTING POLICIES

1.6 Investment property**Initial Recognition**

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. The cost of an item of investment property is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, investment properties is carried at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from investment properties are made when the particular asset no longer meets the definition of investment properties.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. All assets are considered to have a nil residual value. The lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
Property – land	indefinite
Property – buildings	10 - 80years

Derecognition and Impairment

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in the Statement of Financial Performance when the compensation becomes receivable.

The Municipality tests for impairment where there is an indication that a property may be impaired. An assessment of whether there is an indication of possible impairment is done during each reporting period. Where the carrying amount of an item of an investment property is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

ACCOUNTING POLICIES

1.7 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, to meet service delivery objectives, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period.

Initial Recognition

Property, plant and equipment are stated at cost. The cost of an item of property, plant and equipment is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from property, plant and equipment are made when the particular asset no longer meets the definition of property, plant and equipment.

Depreciation and Impairment

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. All assets are considered to have a nil residual value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate on the Statement of Financial Performance. This change in estimate is applied prospectively.

However, if the asset has already reached the end of its estimated useful life, the change in useful life must be accounted for retrospectively as a correction of a prior period error in determination of the new useful life. This change would have an impact on accumulated surplus and the balance sheet.

The annual depreciation rates are based on the following estimated asset lives:

Details	Years
Infrastructure	
• Engineering infrastructure - Rivers and Coastal Engineering	20 - 80 years
• Roads and Motorways	20 - 80 years
• Economic Development	20 years
• Traffic Equipment	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure	15 - 30 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings	30 - 50 years
• Transformers and Related Equipment	30 - 45 years
• Mains	30 - 55 years
• Street Lighting	20 - 30 years
• Conventional and Prepaid Metering	15 - 25 years
Community	
• Buildings	20 - 80 years
• Recreational Facilities	10 - 80 years
Other property, plant and equipment	
• Buildings	20 - 80 years
• Markets and Informal Markets	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 80 years
• Car Parks	15 years

ACCOUNTING POLICIES

1.7 Property, plant and equipment (continued)

• Fencing	20 years
• Lifts	20 years
• Building Improvements	10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fitting	2 - 20 years
• Vehicle	3 - 11 years
• Bins and containers	5 years
• Plant and Machinery – General	5 years
• Security Systems	5 - 15 years
• Office equipment	5 - 7 years
• Air conditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years
• Electrical	20 years
• Mechanical	20 years
• Hostels	20 - 80 years
• Library Books	5 - 10 years
• Non-biological assets	3 - 5 years
• Other items of Plant and Equipment	3 - 5 years

The estimated useful lives of the assets are revised using the indicator based approach, compared to the annual assessment in the prior years. This is due to the GRAP amendments effective in the current financial year. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate in the Statement of Financial Performance. The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting period.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

All assets are considered to have a nil residual value.

Derecognition:

Items of property, plant and equipment are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the Municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 1.23 on Provisions.

ACCOUNTING POLICIES

1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Initial Recognition

Intangible assets are initially measured at cost and comprise of software and servitudes. The cost of an item of intangible assets is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The Municipality intends to complete the intangible asset for use or sale.
- It is technically feasible to complete the intangible asset.
- The Municipality has the resources to complete the project.
- It is probable that the Municipality will receive future economic benefits or service potential.
- The Municipality is able to use or sell the intangible asset.
- The Municipality is able to measure reliably the expenditure attributable to the intangible asset during its development.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Servitudes are classified as intangible assets. Servitudes are rights that are not amortised as they have an indefinite useful life.

Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure on an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible assets is estimated to be nil. Transfers from intangible assets are made when the particular asset no longer meets the definition of an intangible asset.

Amortisation and Impairment

Intangible assets are amortised on a straight line method over their estimated useful lives, as follows:

Details	Years
Computer Software	5 - 20 years

The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the amortisation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition:

Intangible assets are derecognized when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

ACCOUNTING POLICIES

1.9 Heritage assets (continued)

Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of an item of heritage assets is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition. If at initial recognition, the Municipality cannot reliably measure its cost, the relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

Subsequent measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses i.e. cost model. Transfers from heritage assets are made when the particular asset no longer meets the definition of a heritage asset.

Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired. Where the carrying amount of an item of heritage assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

1.10 Investments in Municipal Entities

Investments in municipal entities are initially recognised at cost.

Subsequently they are accounted for at cost less any accumulated impairment.

The Municipality assesses at each reporting date whether there is any indication that an investment in municipal entities may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in municipal entities. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

A reversal of an impairment loss of investments in municipal entities carried at cost is recognised immediately in the Statement of Financial Performance.

ACCOUNTING POLICIES

1.11 Interest in Joint Ventures

An investment in a joint venture is initially recognised at cost.

Subsequently the investment is carried at cost less any accumulated impairment taking into account the Municipality's share of profits or losses, resulting from operations of the joint venture, on the accrual basis. The share of losses are limited to the carrying amount of the joint venture and as a result if the interest in the joint venture is considered to be fully impaired or if the accumulated losses are equal to the cost of the interest in the joint venture, there will be no further losses recognised from the joint venture.

The Municipality assesses at each reporting date whether there is any indication that an investment in a joint venture may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in a joint venture. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

The recoverable amount of an investment in a joint venture is the higher of its fair value less costs to sell and its value in use.

A reversal of an impairment loss of investments in a joint venture carried at cost is recognised immediately in the Statement of Financial Performance.

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Initial recognition

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

ACCOUNTING POLICIES

1.12 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Loans to municipal entities

Loans to municipal entities are initially recognised at fair value plus any transaction costs. Subsequently the loans are measured at cost.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Debtors

Debtors are initially recognised at fair value plus any transaction costs.

Debtors are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An allowance for impairment of debtors is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the debtors.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable amount based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Impairment losses are recognised in the Statement of Financial Performance.

Bad debts are written off during the year in which they are identified against the provision for impairment on the Statement of Financial Position. If no such provision for impairment was raised the bad debts are written off on the Statement of Financial Performance.

Creditors

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

These are initially and subsequently recorded at fair value.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value plus any transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are initially recognised at fair value plus any transaction costs. Subsequently they are measured at amortised cost.

ACCOUNTING POLICIES

1.12 Financial instruments (continued)

Loans and receivables

Loans and receivables are initially measured at fair value plus any transaction costs.

Subsequently they are measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms. The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Municipality will hold to maturity.

Fixed and negotiable deposits are initially measured at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

1.13 Taxation

The Municipality is exempted from income tax in terms of section 10(1)(a) of the Income Tax Act.

1.14 Leases

Operating leases - The Municipality as lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the Statement of Financial Position.

They are depreciated over their expected useful lives (land is not depreciated) on a basis consistent with similar owned investment properties and property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised over the lease term.

Operating leases - The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.15 Inventories

Initial Recognition

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than those subsequently recovered from the taxing authorities), transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

ACCOUNTING POLICIES

1.15 Inventories (continued)**Subsequent Measurement**

Inventories are subsequently measured at the lower of cost and net realisable value using the weighted average method as the basis to determine cost. Net realisable value is the estimated selling price in the ordinary course of operations. When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Consumable stores, maintenance materials and water stock are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.16 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The Municipality assesses these assets for impairment at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the Municipality determines the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

An impairment loss of a cash-generating unit is allocated to decrease the carrying amount of the assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit. After allocating the impairment loss, the carrying amount should be the highest of, its fair value less cost to sell; or value in use; or zero.

A reversal of an impairment loss for a group of assets / cash-generating unit should be allocated to the cash-generating assets of the unit, pro-rata with the carrying amount of those assets.

If the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

1.17 Impairment of non-cash-generating assets

Non-cash-generating assets are those assets held by the Municipality without an intention of generating a commercial return and held primarily for service delivery purposes. The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The Municipality will apply its judgment and disclose the criteria used in making such judgment in cases where it's not clear whether the primary objective is to generate a commercial return or not.

The Municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. If any such indication exists, the Municipality determines the recoverable service amount of the asset. The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

An impairment loss is when the asset's carrying amount exceeds its recoverable service amount and is recognised in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment annually, irrespective of whether any indication of impairment exists.

ACCOUNTING POLICIES

1.18 Grants, Transfers and Donations

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.19 Budget Information

The budget has been included in the Annual Financial Statements in accordance with GRAP 24. An approved budget is the anticipated revenue and expenditure expected to apply in the annual or multi-year period based on current plans and approved by the Municipal Council. Final budget is the approved budget adjusted for transfers, allocations, supplemental appropriations and other changes applicable to the budget period. The budget has been included in the Annual Financial Statements in accordance with the disclosure recommendations determined by National Treasury.

Comparative information is not required.

1.20 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the Municipality, or vice versa, or an entity that is subject to common control, or joint control.

1.21 Commitments

A capital commitment is a binding agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability.

An operating commitment is a binding agreement to undertake operating expenditure at some set time in the future which has not yet become an actual liability.

1.22 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.23 Provisions and contingencies

Provisions are recognised when:

- the Municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

ACCOUNTING POLICIES

1.23 Provisions and contingencies (continued)

Where the effect is material, non-current provisions are discounted to their present value using a prevailing prime rate at year end which reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability, if any (for example in the case of obligations for the rehabilitation of land). The Municipality uses the prevailing prime rate at year end.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

1.24 Revenue

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminating revenue within departments of the Municipality.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised as follows:

1.24.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Bulk electricity meters are read monthly.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which the meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property based on the category of property and the property value.

Service charges from sewerage and sanitation are based on water consumption and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

ACCOUNTING POLICIES

1.24 Revenue (continued)

1.24.2 Revenue from non-exchange transactions

This refers to transactions where the Municipality received revenue from another entity without giving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount and the effective interest rate applicable.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised based on management's best estimate of the probable inflows.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Revenue from public contributions is recognised when all conditions associated with the contribution have been met.

Where public contributions have been received but the condition has not been met, a liability is recognised.

All other revenue is recognised as it accrues.

1.25 Borrowing costs

In accordance with the transitional provisions of GRAP 5, the capitalising of borrowing costs, related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of the amendments to the Standard, is recognised in accordance with the municipality's previous accounting policy.

The municipality's previous accounting policy was: borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowing costs are applied.

1.26 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

1.27 Comparatives information

1.27.1 Current year comparatives

Budgeted amounts have been included in the Appropriation Statement for the current financial year only.

1.27.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

ACCOUNTING POLICIES

1.28 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, upon the finalisation of an investigation, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.31 Principal- agent arrangements

Management assesses whether the Municipality is party to any principle-agent arrangements. Should the Municipality be party to such an arrangement, management will assess whether it is a principal or an agent in the arrangement. The Municipality is an agent if the following criterion are met:

- (a) It does not have the power to determine the significant terms and conditions of the transaction;
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit;
- (c) It is not exposed to variability in the results of the transaction.

If this criteria is not met, then the Municipality is considered to be a principal in the arrangement.

A principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement using management's best estimates.

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal.

An entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

Changes in the liability are added to, or deducted from, the cost of the related asset in the current financial year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit and if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
2. Inventories		
Consumable stores	583,288	515,130
Maintenance materials	-	89
Water	19,809	18,157
	603,097	533,376
The cost of inventories recognised as an expense during the period in respect of water sales was R2 597million (2018: R2 154million).		
3. Investments		
Fixed Deposit	5,950,000	5,700,000
Current assets		
Fixed Deposit	5,950,000	5,700,000
Investments are non-derivative financial assets and are subsequently measured at amortised cost and are held to maturity. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis. Investments held for less than twelve months are classified as current assets. Investments with maturities greater than twelve months are classified as non-current assets.		
4. Receivables from exchange transactions		
Prepayments	41,925	39,990
Other Debtors (mainly in respect of Sundry services and interest on outstanding debt)	2,138,441	1,871,761
Provision for Bad Debts - Other (mainly in respect of Sundry services and interest on outstanding debt)	(1,454,489)	(1,557,179)
Debtor - DOHS	4,056,073	3,974,144
Provision for Bad Debts - DOHS	(2,479,973)	(2,471,033)
Accruals	275,292	287,006
	2,577,269	2,144,689
5. Receivables from non-exchange transactions		
Fines	258,476	665,569
Provision for Bad Debts - Traffic Fines	(201,368)	(583,724)
	57,108	81,845

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

5. Receivables from non-exchange transactions (continued)

Reconciliation of traffic fine debtors:

Reconciliation of traffic fine debtors: 2019	Opening balance	Write-off	Restated opening balance	Additions	Change in Estimate	Closing balance
Fines	665,569	(378,677)	286,892	128,321	(156,737)	258,476
Provision for Bad Debts	(583,724)	378,677	(205,047)	(99,970)	103,649	(201,368)
	81,845	-	81,845	28,351	(53,088)	57,108

Reconciliation of traffic fine debtors: 2018	Opening balance	Write-off	Restated opening balance	Additions	Change in Estimate	Closing balance
Fines	1,683,226	(1,400,029)	283,197	364,484	17,888	665,569
Provision for Bad Debts	(1,428,642)	1,400,029	(28,613)	(319,663)	(235,448)	(583,724)
	254,584	-	254,584	44,821	(217,560)	81,845

Refer to note 29 for details of revenue recognised from traffic fines.

The following assumptions were used to calculate the outstanding fine debtors:

- (1) Average % of fines disputed: 65.71% (June 2018: 24.03%);
- (2) Average success rate of disputed fines: 95.38% (June 2018: 83.35%);
- (3) Average collection rate: 22.09% (June 2018: 12.30%).

The assumptions are based on a 5 year trend analysis. The change in estimate on fine debtors is mainly attributable to an increase in the number of disputed fines and the increase in the withdrawal and reduction rate (success rate) of the disputed fines following the directive issued by the National Prosecuting Authority to write off traffic fines in respect of summons not served within eighteen months from the date of the offence and withdrawal of warrants not executed within two years from date of issue. The collection rate improved due to the old outstanding fines that have been written off and the collection on current charges raised. Effective from the 30 June 2019 financial year, the change in estimate relating to outstanding opening balances as a result of changes in the key assumptions is disclosed on the statement of changes in equity, with only the current year fine revenue and related impairment losses recognised on the statement of financial performance. Comparative figures have been restated to take into account this change so as to ensure that year of year figures are comparable.

6. VAT

VAT receivable from SARS	156,766	134,742
VAT on invoices raised but not yet paid	111,113	356,514
	267,879	491,256

VAT is claimed on the payment basis. Only once an invoice is paid is VAT claimed and receivable from SARS.

The value disclosed is the net VAT on Payables & Receivables.

7. Consumer debtors

Gross balances

Rates	3,562,706	2,962,873
Electricity	2,320,452	2,430,435
Water	3,702,568	2,923,492
Refuse	290,123	218,229
Housing rental	112,722	107,191
Waste water	576,676	523,149
	10,565,247	9,165,369

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
7. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(958,430)	(1,283,924)
Electricity	(719,453)	(503,564)
Water	(3,053,466)	(2,319,280)
Refuse	(197,725)	(133,627)
Housing rental	(103,816)	(94,940)
Waste water	(436,677)	(321,689)
	(5,469,567)	(4,657,024)
Net balance		
Rates	2,604,276	1,678,949
Electricity	1,600,999	1,926,871
Water	649,102	604,212
Refuse	92,398	84,602
Housing rental	8,906	12,251
Waste water	139,999	201,460
	5,095,680	4,508,345
Included in above is receivables from exchange transactions		
Electricity	1,600,999	1,926,871
Water	649,102	604,212
Waste water	139,999	201,460
Refuse	92,398	84,602
Housing rental	8,906	12,251
	2,491,404	2,829,396
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2,604,276	1,678,949
	5,095,680	4,508,345
Rates		
Current (0 -30 days)	718,426	601,318
31 - 60 days	161,281	119,867
61 - 90 days	93,955	82,283
91 - 120 days	84,020	81,470
121 - 365 days	2,485,145	2,039,280
> 365 days	19,879	38,655
	3,562,706	2,962,873
Electricity, Water, Refuse and Waste Water		
Current (0 -30 days)	1,908,853	2,278,155
31 - 60 days	322,109	340,360
61 - 90 days	200,971	165,170
91 - 120 days	210,260	140,181
121 - 365 days	4,010,100	2,947,044
> 365 days	237,526	224,395
	6,889,819	6,095,305

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
7. Consumer debtors (continued)		
Housing rental		
Current (0 -30 days)	4,999	9,773
31 - 60 days	3,907	2,703
61 - 90 days	2,576	2,265
91 - 120 days	2,533	2,304
121 - 365 days	92,380	84,152
> 365 days	6,327	5,994
	112,722	107,191
Movement in the provision for bad debts		
Balance at beginning of year	4,657,024	3,309,311
Contribution	1,084,720	1,359,497
Bad Debts written off	(272,177)	(11,784)
	5,469,567	4,657,024
8. Long-term receivables		
Loan: Durban Point Development Company Proprietary Limited	99,800	92,588
Housing Selling scheme loans	139,857	140,959
First Metro Housing Loans	13,044	11,815
Study assistance schemes	18,248	14,320
Debt Impairment: Durban Point Development Company Proprietary Limited	(99,800)	(92,588)
Debt Impairment: Housing Selling scheme loans	(37,529)	(67,269)
Debt Impairment: First Metro Housing Loans	(276)	-
	133,344	99,825
Less: Current portion transferred to current receivables		
Housing Selling scheme loans	46,010	37,770
First Metro Housing Loans	4,647	2,067
Study assistance schemes	876	1,696
Debt Impairment: First Metro Housing Loans	(276)	-
	51,257	41,533
Non-current portion	82,087	58,292
Current portion	51,257	41,533
Study assistance schemes		
These relate to students who are studying full-time at Universities in the Engineering disciplines. The cost covers tuition fees, books and subsistence. On successful completion of the course the students are, in terms of contractual obligations, employed by the Municipality. A pro-rata share of these costs are then written back as operating costs in annual instalments equal to the number of years studied. These schemes are interest free.		
Housing selling scheme loans		
Housing loans are granted to qualifying individuals in terms of the provincial administration housing programme. These loans attract interest in terms of the State Directives and Guidelines and are repayable over 20 years.		
Housing First Metro loan		
These loans attract interest at a fixed rate of 10% and are repayable over 20 years.		
9. Call investment deposits		
30 Day deposits	465,000	200,000

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
10. Cash and Bank Balances		
Cash and cash equivalents consist of:		
Cash on hand	35,454	30,674
Bank balances	506,228	550,484
Bank overdraft	(300,434)	(382,790)
	241,248	198,368
Call Investment Deposits	465,000	200,000
Investments	5,950,000	5,700,000
Cash and cash equivalents	6,656,248	6,098,368

11. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Revenue Generating	70,448	(36,506)	33,942	70,446	(38,914)	31,532
Non-revenue Generating	183,285	(8,163)	175,122	183,287	(6,174)	177,113
Total	253,733	(44,669)	209,064	253,733	(45,088)	208,645

Reconciliation of investment property - 2019

	Opening balance	Impairments	Depreciation	Total
Revenue Generating	31,532	3,192	(782)	33,942
Non-revenue Generating	177,113	(1,991)	-	175,122
	208,645	1,201	(782)	209,064

Reconciliation of investment property - 2018

	Opening balance	Disposals	Transfers	Impairments	Depreciation	Total
Revenue Generating	32,748	-	-	25	(1,241)	31,532
Non-revenue Generating	200,264	(944)	(20,426)	(1,781)	-	177,113
	233,012	(944)	(20,426)	(1,756)	(1,241)	208,645

The Municipality lets properties under operating leases. Property rental income earned during the year was R81.96million (2018: R87.32million) - (refer note 26). The operating costs related to the rental of these properties amounted to R11.09million (2018: R9.70million). There is no item of investment property with restrictions on title or held as security for liabilities.

The net impairment reversal of R1.20million is made up of an impairment loss of R2.73million and impairment reversal of R3.93million. The impairment losses and reversals are attributable to changes in the market values of investment properties.

The repairs and maintenance cost for investment properties was R0.151million (2018: R0.0534million) in the current financial year. This cost consists of only payments made to contractors for repairing and maintaining assets. No staff member is engaged in any labour towards the repair and maintenance of investment property as contractors are outsourced.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	4,197,200	(1,227,381)	2,969,819	5,310,883	(1,327,235)	3,983,648
Plant and machinery	2,009,479	(1,461,775)	547,704	1,922,783	(1,322,034)	600,749
Furniture and fixtures	410,620	(282,866)	127,754	384,092	(251,223)	132,869
Motor vehicles	3,690,201	(2,750,118)	940,083	3,340,474	(2,545,661)	794,813
IT equipment	1,053,058	(869,259)	183,799	1,033,066	(836,616)	196,450
Infrastructure	52,087,582	(12,324,646)	39,762,936	47,203,267	(10,821,064)	36,382,203
Community	8,992,600	(2,751,055)	6,241,545	8,399,099	(2,513,356)	5,885,743
Non-Biological Assets	556	(556)	-	556	(555)	1
Housing Development Fund Assets*	132,838	(66,887)	65,951	133,162	(66,288)	66,874
Total	72,574,134	(21,734,543)	50,839,591	67,727,382	(19,684,032)	48,043,350

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and Buildings	3,983,648	64,507	-	(1,114,888)	145,597	(109,045)	-	2,969,819
Plant and machinery	600,749	66,355	(307)	(1,003)	24,646	(142,736)	-	547,704
Furniture and fixtures	132,869	28,900	(172)	(37)	-	(33,642)	(164)	127,754
Motor vehicles	794,813	385,974	(293)	(2,162)	(15,779)	(222,470)	-	940,083
IT equipment	196,450	58,918	(214)	(8,557)	(1,825)	(60,973)	-	183,799
Infrastructure	36,382,203	722,128	(118)	872,088	3,034,556	(1,245,100)	(2,821)	39,762,936
Community	5,885,743	115,846	(2,961)	254,520	269,443	(269,022)	(12,024)	6,241,545
Non-Biological Assets	1	-	-	-	-	(1)	-	-
Housing Development Fund Assets*	66,874	529	(131)	1	-	(1,322)	-	65,951
	48,043,350	1,443,157	(4,196)	(38)	3,456,638	(2,084,311)	(15,009)	50,839,591

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Total
Land and Buildings	3,880,771	56,566	(3)	6,955	171,384	(135,500)	3,475	3,983,648
Plant and machinery	553,207	117,109	(523)	31	82,346	(151,421)	-	600,749
Furniture and fixtures	141,880	18,785	(95)	(199)	-	(27,489)	(13)	132,869
Motor vehicles	741,646	303,732	-	9	10,607	(261,181)	-	794,813
IT equipment	208,850	72,438	(415)	414	949	(85,786)	-	196,450
Infrastructure	34,161,623	2,111,433	(7,644)	(5,192)	1,288,253	(1,166,270)	-	36,382,203
Community	5,888,115	154,921	-	18,859	88,397	(265,103)	554	5,885,743
Non-Biological Assets	25	-	-	-	-	(24)	-	1
Housing Development Fund Assets*	65,566	520	(68)	-	2,338	(1,482)	-	66,874
	45,641,683	2,835,504	(8,748)	20,877	1,644,274	(2,094,256)	4,016	48,043,350

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

12. Property, plant and equipment (continued)

The impairment loss is mainly attributable to assets damaged as a result of the storm that occurred during the current financial year. The repairs and maintenance cost for property, plant and equipment was R2.02 billion (2018: R2.15 billion) in the current financial year. This cost consists of payments made to contractors and excludes material issues and consumables for repairing and maintaining assets internally since these items are expensed based on their nature. Internal labour costs are also excluded due to these costs eliminated on consolidation. Comparative adjustments have been made since during the previous financial year repairs and maintenance included costs relating to material issues and consumables.

The Housing Development Fund assets include office buildings, computers and office furniture and equipment utilised by the Housing department.

There is no item of property, plant and equipment with restrictions on title or held as security for liabilities.

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

13. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes Computer software	60,077 1,760,916	- (1,059,894)	60,077 701,022	59,423 1,601,060	- (842,488)	59,423 758,572
Total	1,820,993	(1,059,894)	761,099	1,660,483	(842,488)	817,995
Reconciliation of intangible assets - 2019						
	Opening balance	Additions	Transfers	Work-in- progress	Amortisation	Total
Servitudes Computer software	59,423 758,572	598 96,870	- 37	56 62,316	- (216,773)	60,077 701,022
	817,995	97,468	37	62,372	(216,773)	761,099
Reconciliation of intangible assets - 2018						
	Opening balance	Additions	Transfers	Work-in- progress	Amortisation	Total
Servitudes Computer software	58,767 784,461	1,931 149,231	- (450)	(1,275) 42,964	- (217,634)	59,423 758,572
	843,228	151,162	(450)	41,689	(217,634)	817,995

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

13. Intangible assets (continued)

Other information

Fully amortised software with a historical cost of R6 thousand was disposed of during the 2018/19 financial year.

There is no item of intangible assets with restrictions on title or held as security for liabilities.

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

14. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	24,739	-	24,739	24,536	-	24,536

Reconciliation of heritage assets 2019

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	24,536	203	24,739

Reconciliation of heritage assets 2018

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	24,039	497	24,536

Heritage assets which fair values cannot be reliably measured

The following items of heritage assets cannot be reliably valued due to the nature of the items. These are categories of heritage assets which reflect the number of assets for each category:

Ornithology	38,598
Mammalogy	14,953
Entomology	140,023
Arachnology	619
Echinodermata	36
Palaeontology	33,297
Amphibians	1,193
Reptiles	1,571
Library collection	4,794
Conchology	5,207
Audio Visual collection	3,668
Numismatic	2,464
Textile & Costume	14,442
Glass & Ceramics	7,863
Other Historical	1,105
Don Africana Books & Periodicals	4,556
Exhibitions	2,173
Ichthyology	357
Herpetology	2,757
Biographical	1,191
Toys	4,415
Philately	2,247
War memorials	113
Firearms	168
Paintings	7,365
Photographic	3,846,903
Furniture	674
Documents / Cartoons / Plans	633,597
Pinetown Library Collection	228

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

14. Heritage assets (continued)**Heritage assets which fair values cannot be reliably measured**

The Municipality has undertaken valuations to determine fair values of its heritage assets. The Municipality did apply a valuation methodology and completed the exercise on certain classes of heritage assets after extensive research, reviewing benchmarks, both nationally and internationally, including consulting research papers that have been compiled on this subject matter. Where there is no active market for the items of heritage assets, the Municipality is currently testing various valuation methodologies in order to determine the fair value of these heritage assets. GRAP 103 does allow the entity to determine fair value by using a replacement cost approach in cases where there is no active market and the Municipality has followed this approach, where applicable. No heritage assets were pledged as security for liabilities during the financial year end.

15. Investments in Municipal Entities

Name of company	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Durban Marine Theme Park (State Owned Company) Limited	100.00 %	100.00 %	962,996	962,996
ICC Durban (Proprietary) Limited	100.00 %	100.00 %	226,591	226,591
			1,189,587	1,189,587
Impairment of investment in municipal entities			(268,768)	(248,756)
			920,819	940,831

Impairment of Investments in Municipal Entities are reviewed and adjusted only on an annual basis. The balances above are reflective of estimations at 30 June 2019.

At its meeting on 27 June 2019, and taking cognizance of the International Convention Centre and Durban Marine Theme Park, Council confirmed its commitment to ensuring the future financial viability of the International Convention Centre and the Durban Marine Theme Park and more specifically to meet any funding shortfalls that may compromise their ability to continue trading as a "going concern". There was an impairment loss in the current year of R20.01million. This is due to the decrease in property values due to the depressed economy.

As at June 30, 2019

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	226,591	10
Percentage owned by Council (%)	100	100
Electricity Income Received (R'000)	11,962	22,490
Water Income Received (R'000)	1,340	10,792
Rates Income Received (R'000)	9,720	3,857
Refuse Removal (R'000)	1,167	970
Insurance (R'000)	15	308

As at June 30, 2018

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	226,591	10
Percentage owned by Council (%)	100	100
Electricity Income Received (R'000)	10,264	22,515
Water Income Received (R'000)	1,996	9,574
Rates Income Received (R'000)	9,137	3,633
Refuse Removal (R'000)	991	947
Insurance (R'000)	5	437

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand		2019	2018
16. Interest in Joint Ventures			
Name of company		Carrying amount 31 March 2019	Carrying amount 30 June 2018
Effingham Development	66.74%	38,425	62,507
Durban Point Development Company (Pty) Ltd	50.00%	61,886	67,207
		100,311	129,714

This represents a 66.74% investment in Effingham Development and a 50% investment in Durban Point Development Company (Joint Ventures).

The Effingham Development Joint Venture is a joint venture entered into with Moreland Developments (Pty) Ltd. The joint venture was formed with the objective of developing and marketing the serviced sites of the Effingham/Avoca (Riverhorse Valley Business Estate) land and Phoenix South (Bridge City) land.

Durban Point Development Company (DPDC) is a joint venture entered into with Rocpoint Company, a Malaysian Company. This company has been formed with the objective of driving the development of the Point Precinct area.

Summary of the municipality's interest in the joint venture - Effingham Development

Non-current assets		
Township Property	31,621	31,557
Current assets - Debtors	30,048	28,672
Current assets - Bank Balances and Cash on hand	12,115	19,647
Total Assets	73,784	79,876
Equity and Liabilities		
Members Loan Accounts	38,425	62,507
Current liabilities - Creditors	35,359	17,369
Total Equity and Liabilities	73,784	79,876
Reconciliation of Investment in Joint Venture		
Balance at beginning of the reporting period	62,507	72,993
Share of deficit	(14,082)	2,862
Share of loan repayment received	-	(6,848)
Share of loan repayment due to eThekweni but retained by Effingham JV for payment of levies	(10,000)	(6,500)
Balance at end of reporting period	38,425	62,507

Summary of the municipality's interest in the joint venture - Durban Point Development Company

Non-current assets - Property	3,378	3,378
Current assets - Debtors	4,674	10,420
Current assets - Inventory	93,382	93,345
Current assets - Bank Balances / Cash on hand	1,056	405
TOTAL ASSETS	102,490	107,548
Equity - Accumulated loss	(37,533)	(32,212)
Equity - Loans from shareholders	78,466	78,466
Non-current liability - Rates Liability	49,900	46,294
Current liabilities - Creditors	11,657	15,000
TOTAL EQUITY AND LIABILITIES	102,490	107,548

Reconciliation of Investment in Joint Venture:		
Balance at beginning of the reporting period	67,207	72,100

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
16. Interest in Joint Ventures (continued)		
Share of Losses	(5,321)	(4,893)
Balance at end of reporting period	61,886	67,207
<p>The cost of the investment in the Durban Point Development Company (DPDC) is R61.87 million compared to the cost of R78.47 million(2018) as reflected in the financial statements of DPDC. The difference is due to eThekweni Municipality having recognised the share of the losses of R5.32 million (2017/2018-4,89 million: 2016/17- 3.62 million: 2015/16 - 2.75), resulting in cumulative losses recognised of R16,6 million. The share of loss from joint ventures in the current financial year is R19.40 million, of which R14.08 million relates to Effingham and R5.32 million to DPDC.</p>		
17. External Borrowings		
At amortised cost		
Annuity loans	9,419,915	8,161,100
<p>The fair value of all long term loans approximates their book values.</p> <p>Refer to Note 57 for more detail on long-term liabilities.</p> <p>DBSA Phase 5 loan of R300million is seperately secured by a cession of an acceptable revenue stream of R15 million p.a. as security .</p> <p>A portion of the R831million balance outstanding from the RMB R1billion 20 year loan was ceded to Sanlam Life Insurance Limited for an amount of R672million in April 2019.</p> <p>All other loans are unsecured.</p> <p>The Municipality has budgeted to borrow R1billion per annum for the next 3 financial years (commencing in 2019/20) in order to finance capital expenditure. This practice is consistent with prior years.</p>		
Non-current liabilities		
At amortised cost	8,321,287	7,286,712
Current liabilities		
At amortised cost	1,098,628	874,388
18. Payables from exchange transactions		
Trade payables	1,237,721	1,097,992
Payments received in advance	41,082	43,056
Income received in advance - D.O.H.S	682,236	656,881
Accruals	2,665,201	2,716,589
Other payables	839,267	662,671
Retentions	421,128	438,919
Bank deposits not yet receipted	372,831	325,363
Deferred Expenditure (Straight-lining of Leases)	23,935	30,002
	6,283,401	5,971,473
19. Transfers payable from non-exchange transactions		
Transfers payable	19,068	27,738
20. Consumer deposits		
Consolidated deposits	2,348,727	2,267,863

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

21. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post-employment medical benefits	(3,955,760)	(4,123,898)
Post-employment pension benefits	1,196	(87,723)
	(3,954,564)	(4,211,621)
Non-current liabilities	(3,295,808)	(3,547,237)
Current liabilities	(658,756)	(664,384)
	(3,954,564)	(4,211,621)

Actuarial Valuations:

The actuarial valuations were done as at 30 June 2019 by ARCH Actuarial Consulting (2018: Independent Actuaries & Consultants), an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. .

Net Actuarial Gain / (Loss): Post-employment Medical Benefits

Changes to membership profile different to assumed	194,137	-
Change in health care cost inflation assumption	-	51,140
Change in maximum subsidy inflation	496,071	-
Increases in net discount rates	437,966	-
Application of post employment mortality improvement	(569,880)	-
Subsidy increases lower than assumed	31,462	-
Actual benefits vested, lower than expected	1,589	-
Experience variance and data changes	-	141,804
	591,345	192,944

Net Actuarial Gain / (Loss): Post-employment Pension Benefits

Change in calculation model	-	31,522
Change in economic assumptions	-	(123,244)
	-	(91,722)

Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	(168,138)	189,128
Pension Benefits: Contribution to Funds	(88,919)	250,856
Total, included in employee benefits expense	(257,057)	439,984

Post-Retirement Medical Aid Plan

The Municipality operates on 6 accredited medical aid schemes, namely Key Health, Hosmed, Bonitas, Samwumed, Discovery and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	4,123,898	3,934,770
Current service cost	152,788	142,540
Interest cost	421,470	380,188
Actuarial (gains) losses	(591,345)	(140,656)
Benefit payments	(151,051)	(192,944)
Balance at end of year	3,955,760	4,123,898

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand 2019 2018

21. Employee benefit obligations (continued)

Net expense recognised in the Statement of financial performance

Current service cost	152,788	142,540
Interest cost	421,470	380,188
Actuarial (gains) losses	(151,051)	(192,943)
Total, included in employee benefits expense	423,207	329,785

Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Present Value of Obligations	(3,497,714)	(3,881,543)	(3,934,770)	(4,123,898)	(3,955,760)
Fair Value of Plan Assets	3,497,714	3,881,543	3,934,770	4,123,898	3,955,760

Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)

In respect of Present Value of Obligations	183,275	(21,796)	3,274	141,804	227,189
--	---------	----------	-------	---------	---------

Disclosure Requirement in terms of GRAP 25

	Central Assumption 8%	Health Care cost Inflation -1%	+1%
Accrued Liability June 30, 2019	3,955,760	3,557,382	4,267,739
Current Service Cost + Interest Cost 2018/19	520,414	463,854	576,974

Sensitivity Results from Previous Valuation

	Central Assumption 8.52%	-1%	+1%
Accrued Liability June 30, 2018	4,123,898	3,538,766	4,857,575
Current Service Cost + Interest Cost 2017/18	574,258	488,835	700,910

Disclosure Requirement in terms of GRAP 25:

The employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of reporting period, is R162.9million.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
21. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.40 %	10.22 %
General increases to medical aid contributions	6.86 %	8.52 %
Expected retirement age	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %
Proportion of retiring members who are married	80.00 %	80.00 %
Real rate (GAP)	- %	1.56 %
General inflation	5.36 %	7.02 %
Other assumptions:		
Age of spouse - Husbands 5 years older than wives		
Mortality of in-service members - Mortality table based on Durban Pension Fund experience		
Mortality of pensioners - based on the PA(90) mortality tables		
Percentage of in-service members withdrawing before retirement:		
Age 20	7.90 %	7.85 %
Age 25	5.70 %	5.67 %
Age 30	4.20 %	4.20 %
Age 35	3.30 %	3.31 %
Age 40	2.20 %	2.23 %
Age 45	1.20 %	1.21 %
Age 50	0.60 %	0.55 %
Pension benefits		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	9,062,419	11,584,632
Fair value of plan assets	(10,686,376)	(11,496,909)
Unrecognised due to paragraph 68 limit	1,622,761	-
Liability (Surplus) in the Statement of Financial Position	(1,196)	87,723
Net expense recognised in the Statement of Financial Performance		
Service cost	(88,646)	(90,127)
Interest cost	(1,162,340)	(1,052,361)
Expected return on assets	1,152,080	1,066,499
Net actuarial gains / (losses) recognised in the year	1,746,447	(262,514)
	1,647,541	(338,503)
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	(11,584,632)	(11,151,296)
Current service cost	(88,646)	(90,127)
Contributions by plan participants	-	18,942
Actuarial losses	2,950,961	73,366
Interest cost	(1,162,340)	(1,052,361)
Benefit payments	822,238	616,844
Balance at end of year	(9,062,419)	(11,584,632)

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

21. Employee benefit obligations (continued)

Movement in the fair value of plan assets is as follows:

Balance at beginning of the year	11,496,909	11,314,429
Actuarial gains (losses)	(1,204,514)	(335,880)
Employer contributions	45,197	87,647
Employee contributions	18,942	(18,942)
Benefit payments	(822,238)	(616,844)
Expected return on assets	1,152,080	1,066,499
Balance at end of year	10,686,376	11,496,909

Disclosure in terms GRAP 25

Defined benefit obligation	(9,062,419)	(11,584,632)
Plan assets	10,686,376	11,496,909
Funded status (before applying the net asset limit)	1,623,957	(87,723)
Experience adjustments on plan liabilities	-	123,244
Experience adjustments on plan assets	-	335,880

The expected return on plan assets was determined with reference to the average nominal yield for government bonds with duration of between 15 and 20 years as at 30 June 2018. The resulting expected return on plan assets was 9.59%p.a. (2018: 10.22%p.a.)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	9.59 %	10.22 %
Expected return on plan assets	9.59 %	10.22 %
General inflation	5.50 %	7.02 %
Salary inflation	6.50 %	8.02 %
Pension increase provision	- %	7.02 %
Post retirement interest rate	3.88 %	2.99 %

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

21. Employee benefit obligations (continued)

Examples of mortality rates used were as follows: Active members (All):

Age 20	0.13 %	0.13 %
Age 25	0.18 %	0.18 %
Age 30	0.25 %	0.25 %
Age 35	0.37 %	0.37 %
Age 40	0.52 %	0.52 %
Age 45	0.72 %	0.72 %
Age 50	0.99 %	0.99 %
Age 55	1.37 %	1.37 %
Age 60	1.89 %	1.89 %

KZN Municipal Pension Fund:

Unaudited

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

21. Employee benefit obligations (continued)

Nature of the KZN Municipal Pension Fund:

The KZN Municipal Pension Fund is a defined contribution pension fund that started with the transfer of Members from the Durban Pension Fund in 2001. It is the Fund of choice of the Employer.

Size:

At 30 June 2019 the Fund had a membership of over 24 000 with just over R14 billion in assets. There are over 300 members who have chosen the in-fund living annuity option which is providing members with a low cost annuity solution when compared to the retail products offered in the market. The in-fund living annuity membership has grown substantially from last year with the Fund Credits of these members now amounting to a substantial R453 million.

Investments:

Best of breed Asset Managers are mandated to invest the savings of members. The investment managers have remained largely the same since last year. The Trustees have a default portfolio in place for members who do not wish to choose their own investments. For those members who wish to have their own investment strategy the Fund offers investment choice to cater for the various risk appetite of members. The advantage of having such a large Fund is the low negotiated investment fees the fund enjoys.

Front Office, Insurance and Fund Expenses

The Trustees continue with the objective of the Fund to become fully self-insured and in 2018 the Disability insurance premium was fully covered by the Fund. The Death cover is held 50:50 with Nestlife who are a black owned insurance provider. Nestlife also continues to cover the Funeral benefit.

The Fund Front Office at SmartXchange Building, 5 Walnut Road, is staffed to investigate the Death benefit distributions and the administration of Disability claims and payments. Procedures in place continue to be refined and improved as ongoing reviews of the current system are in place to improve the experience of our members. The Front Office has been very successful in relieving the strain from the Employer in dealing directly with member queries and other information members may require.

The Fund has managed to keep its risk cost and fund expenses to below 3.0% on average and continually strives to keep the fund's costs down as far as possible without compromising on the service delivery to our members. This has resulted in over 15% on average, of the total Employer Contribution rate of 18% to be credited to members retirement benefit.

Communications

Communication consists chiefly of the Annual Seminar at multiple venues along with the Road Show seminars and presentations given at Induction Sessions, Union gatherings, and Department Staff Communication Days.

Member appointed trustees also perform an important role of engagement in the workplace.

Printed brochures are made available along with Retirement Projection Statements and Benefit Statements for each member.

Investment balances are available on-line or can be printed at the Front Office. The Fund has a web site, members on their e-mail list, as well as a limited presence on social media.

Considerable additional work has in the last 12 months been put into Investment and Retirement Counselling as well as Financial Planning on a one on one basis. Families that are receiving substantial death benefits also receive counselling on tax issues and are encouraged to place their funds in the in house living annuity when tax becomes a consideration. To an extent this option is also preferred by Trustees rather than the allocation of orphans money to a Beneficiary Fund.

Trustees

Cllr Sipho Kaunda (chair & eThekwini Exco member), Khanyi Gama (Chair: Finance & Investment Sub-committee), Sthembile Dlamini (Chair: Communications Sub-Committee), Vis Moodley (Chair: Legal, Admin, and Death Benefits Distribution Sub-Committee), Cllr Barbara Fortein (eThekwini Exco Member), Cllr William (eThekwini Speaker & Exco Member), Hugh Crichton (Retired Member), Paul Babudayal, Pretty Shange (Deferred Member), Xolani Gabele, Ricky Naidoo, Connie Ndlovu.

Multi-Employer Retirement Benefit Plans:

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

21. Employee benefit obligations (continued)

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMPF), SALA, Multi Linked and GEPF. Employees of eThekwini Municipality make up less than 1% of the total members of the NJMPF. eThekwini's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

Two of the NJMPF retirement funds are defined benefit in nature. The third fund is a provident fund which is a defined contribution fund.

The last actuarial valuations of the two NJMPF Defined Benefit (DB) Funds (March 2018) showed both funds to be fully funded as regards pensions in payment. For the Retirement Fund the fund is underfunded as regards contributing members - thus the employers are paying a surcharge. For the Superannuation Fund the fund has sufficient assets to cover the basic liability as regards contributing members, but not any solvency reserves for the contributing members. A primary reason for the surcharge is that salaries have been increased at rates well in excess of inflation over the past number of years, which has increased the liabilities of the two DB Funds. (From 2016: surcharge updated to 21.65% for Retirement Fund and 9.5% for Superannuation Fund - please refer to valuation reports available from the Fund's website or the Director. The 2017 and 2018 actuarial valuations reflected a higher required contribution rate in the Retirement Fund, which would result in a higher required surcharge to fund the deficit. However, the Trustees were conscious of affordability and accordingly from January 2017 the surcharge for each local authority of 9.5% in the Superannuation Fund was reduced to offset the required increase in the local authority's surcharge to the Retirement Fund. In principle the increase in the surcharge to the Retirement Fund would not result in any local authority incurring additional costs. The total surcharge per local authority thus remains unchanged, but the split between the Superannuation Fund and Retirement Fund will be different for each local authority).

The three funds cater for employees of all municipalities in KZN. Each fund is treated as one fund and not as a collection of sub-funds for each participating municipality. In the DB funds any surplus or deficit is spread across all municipalities - each municipality pays the same rate of contribution and the same rate of surcharge. A special additional surcharge is levied individually on municipalities where an employee has received a salary increase that is deemed to be excessive in comparison with the other municipalities. This has the effect of removing some of the cross-subsidisation between municipalities. Other than this, all municipalities are treated in the same manner.

Each of the funds undergoes an actuarial valuation each year in order to monitor its financial condition. If necessary the Board of Trustees levies a surcharge until the fund is in a sound financial condition, as is currently the case. In this way the Board ensures that the funds are able to afford the promised benefits.

Durban Pension Fund:

The Durban Pension Fund is a closed defined benefit fund. With effect from the 1 June 2015 the Fund has been administered by Alexander Forbes prior to which it was administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The statutory valuation as at 2019-01-01 revealed that the Fund was 111.4% funded. The value of assets amounted to R10.72 billion whilst the value of liabilities and reserves was determined to be R9.62 billion.

The asset composition of the Durban Pension Fund is summarised below:

SA Equities	33.67 %	33.62 %
SA Bonds	42.09 %	41.54 %
SA Cash	2.21 %	1.55 %
SA Other	0.68 %	0.49 %
SA Property	4.73 %	4.80 %
Foreign	16.62 %	18.00 %
	100.00	100.00 %

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
22. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Electricity Demand Side Management Grant	2,662	847
Department of Co Operative Governance and Traditional Affairs	6,000	5,000
Department of Transport and Public Transport Infrastructure	309,587	306,583
Department of Environmental Affairs	7,838	7,838
Neighbourhood Development Partnership	1,877	28,850
Department of Arts & Culture	558,707	527,574
Grant Accreditation	4,913	4,913
Department of Human Settlements	238,655	138,110
European Union	3,565	5,659
Donations and Public Contributions	36,876	30,793
D Moss Interest and Land Sales	8,073	8,073
Infrastructure Skills Grant	5,776	5,635
Department of Health	84,619	62,084
Sports and Recreation Grant	12,025	10,525
DBSA	96,305	95,992
Municipal Emergency Housing Grant	90,810	-
Municipal Disaster Grant	79,763	-
Other Grants and Subsidies	31,450	29,975
	1,579,501	1,268,451

These amounts are invested in a ring-fenced investment until utilised. See note 31 for more detail.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

23. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Interest charged	Change in estimate	Total
Current						
Staff Leave	537,826	177,886	(126,185)	-	-	589,527
Performance Bonus	12,009	11,778	(10,240)	-	-	13,547
Long service awards	68,990	100,210	(67,000)	-	-	102,200
Non-current						
Environmental rehabilitation	273,001	-	(139)	27,300	(16,467)	283,695
Long service awards	836,631	213,763	-	-	-	1,050,394
	1,728,457	503,637	(203,564)	27,300	(16,467)	2,039,363

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Interest charged	Total
Current					
Staff Leave	497,537	158,462	(118,173)	-	537,826
Performance Bonus	12,788	9,869	(10,648)	-	12,009
Long service awards	63,305	62,434	(56,749)	-	68,990
Non-current					
Environmental rehabilitation: Landfill sites	106,070	156,810	(1,017)	11,138	273,001
Long service awards	729,471	107,160	-	-	836,631
	1,409,171	494,735	(186,587)	11,138	1,728,457

Non-current liabilities	1,334,089	1,109,632
Current liabilities	705,274	618,825
	2,039,363	1,728,457

Performance Bonus

All employees who are employed in accordance with provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P. 8-point plan. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the City Council.

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

23. Provisions (continued)**Environmental rehabilitation: Landfill sites**

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which was 10.25% at 30 June 2019. The Municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

The following assumptions were used to calculate the provision:

- (1) Discount rate of 10.25% (June 2018: 10.00%);
- (2) Inflation rate 4.50% (June 2018: 4.60%);
- (3) Total area expected to be rehabilitated: 1 022 051 square metres (June 2018: 964 151 square metres);
- (4) Rate per square metre: R423.15 (June 2018: R404.93) escalating every year by inflation rate;
- (5) Total area to be rehabilitated can be reconciled to the different sites as follows:

Bisasar	360,326	360,326
Marianhill	239,725	239,725
Wyebank	25,000	25,000
Shallcross	29,800	29,800
Buffelsdraai	285,800	259,300
Lovu	81,400	50,000

During the current period there was a change in the assumptions used to calculate the provision for the rehabilitation of landfill sites, which resulted in a change in estimate of R16.5million, decreasing the provision. This change is mainly attributable to a slight change in the prime rate from 10% in June 2018 to 10.25% in June 2019 used to discount the future value of the rehabilitation costs to present value and the decrease in the CPI rate from 4.6% in June 2018 to 4.5% in June 2019. There were also increases in the useful life estimates for some of the landfill sites which also contributed to the overall decrease recognised. The useful lives were revised due to less waste being dumped in the current period than what was originally anticipated resulting in an extension of the lives for these landfill sites.

The total rehabilitation can be reconciled as follows:

Name	Opening Balance	Expenditure	Interest	Change in Estimate	Closing Balance
Bisasar	145,289	(139)	14,529	(9,614)	150,065
Marianhill	97,467	-	9,747	(9,696)	97,518
Wyebank	11,326	-	1,132	(438)	12,020
Shallcross	9,329	-	933	(603)	9,659
Buffelsdraai	3,461	-	346	4,161	7,968
Lovu	6,129	-	613	(277)	6,465
Totals	273,001	(139)	27,300	(16,467)	283,695

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

23. Provisions (continued) Long service awards

The conditions of service for employees are as follows:

Long Service Leave accrual

	5 Day Worker- No.of days p.a.	5 Day Worker- Accum per milestone	6 Day Worker- No.of days p.a.	6 Day Worker- Accum per milestone
After 10 years	1	15	1	15
After 20 years	2	25	3	30
After 30 years	4	35	5	50
After 40 years	5	15	6	10
Maximum Accumulation		90		105

Employees who achieve 10 years of service receive a once off cash payment of R500; upon 20 years of service receive a once off cash payment of R1 000 and upon achievement of 30 years service, employees receive a once off cash payment of R1 500. Employees who achieve 40 years service receive a once off payment of R2 000. A long service allowance will accrue as follows:

-1% of monthly salary at 10-14 years

-2% of monthly salary at 15-19 years

-3% of monthly salary at 20-24 years

-4% of monthly salary at 25-29 years

-5% of monthly salary at 30-34 years

-6% of monthly salary at 35 years or more.

The abovementioned is limited to a maximum of R1 603.07 (2018: R1 505.23).

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

23. Provisions (continued)

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2019 (2018: 30 June 2018). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 8.08% (2018: 9.36%) was used based on internal rate of return.

Summary of economic assumptions (rates are per annum) and key demographic assumptions

	Municipality	
	2019	2018
Gross discount rate	8.08%	9.36%
Salary inflation	5.52%	7.43%
Net discount rate	2.43%	1.80%
Number of trading days per year	252	252
Retirement age	63 years for males and females	63 years for males and females

Summary of membership data used in the valuation

	30 June 2019	30 June 2018
Current employees		
Number of current employees	24,828	24,093
Average age of employees	43.8	42.2
Average years of past service	13	11.2
Average annual salary (R)	241,877	213,855

Reconciliation of Defined Benefit Obligation

Opening Balance	905,621	792,776
Current Service cost	66,304	56,075
Interest cost	87,848	72,876
Acturial losses (gains) - change in financial assumptions	28,489	100,395
Past-service cost	133,322	-
Acturial gains - experience variance	-	(51,401)
Cash movements - Benefit payments	(68,990)	(65,100)
	1,152,594	905,621

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

23. Provisions (continued) Pre-retirement mortality

Age	30 June 2019	30 June 2018
20	0.13%	0.13%
25	0.18%	0.18%
30	0.25%	0.25%
35	0.37%	0.37%
40	0.52%	0.52%
45	0.72%	0.72%
50	0.99%	0.99%
55	1.37%	1.37%
60	1.89%	1.89%

Withdrawal assumption

Age	30 June 2019	30 June 2018
20	7.85%	7.85%
25	5.67%	5.67%
30	4.20%	4.20%
35	3.31%	3.31%
40	2.23%	2.23%
45	1.21%	1.21%
50	0.55%	0.55%
55	0.00%	0.00%

24. Housing development fund

Accumulated Surplus	(209,509)	(209,509)
Loans extinguished by Government on 1 April 1998	266,979	266,979
	57,470	57,470

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

24. Housing development fund (continued)

The housing development fund is represented by the following assets and liabilities

Property, plant and equipment	65,956	66,875
Housing selling scheme loans	85,305	56,537
Housing rental Debtors	8,906	12,251
Housing other Debtors	35,240	33,459
Housing inventory	61	89
Investments	7,489	7,489
Investment properties	7,726	7,797
Grant accrual	237,325	226,784
Assets	448,008	411,281
Unspent Conditional Grants	194,285	82,570
Creditors	9,643	4,730
Bank Overdraft	174,719	254,488
Consumer Deposits	344	344
VAT payable	11,547	11,679
Liabilities	390,538	353,811
Total Housing Development Fund Assets and Liabilities	57,470	57,470

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

25. Service charges

Sale of electricity	12,443,740	12,259,055
Sale of water	3,871,150	3,349,018
Solid waste	725,648	656,372
Sewerage and sanitation charges	920,788	933,247
Total service charges	17,961,326	17,197,692

26. Rental of facilities and equipment

Sporting Bodies	252,811	231,937
Investment Properties	81,957	87,321
Business and Ancillary	135,301	147,386
Housing Rental	75,520	68,272
Other	152,723	136,768
	698,312	671,684

A decision was taken in the prior year to include an analysis of rental income generated from rental of facilities and equipment as this information is considered to be useful for decision-making. Comparative disclosures have been provided.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
27. Other income		
Sundry income	336,170	325,857
Moses Mabhida Stadium	3,395	3,245
	339,565	329,102

Refer to Appendix D for a Statement of Financial Performance: Moses Mabhida Stadium.

28. Interest revenue

Interest earned - External Investments	578,168	573,161
Interest earned - Outstanding Debtors	413,052	309,112
	991,220	882,273

29. Traffic fines

Traffic fine revenue	160,664	425,796
----------------------	---------	---------

Refer to note 5 for more details on traffic fines.

The decline in revenue is attributable to the suspension of electronic enforcement processes in the City. The suspension pertains to electronic enforcement contract pricing issue raised by KZN Director of Public Prosecution. The matter has been taken to court by the Service provider.

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

	2019	2018
--	------	------

30. Property rates

Rates received

Residential	2,859,726	2,611,647
Business / Commercial	2,922,050	2,597,652
Unauthorised / Illegal development	33,579	28,488
Development Phasing	1,826	1,820
Agricultural	10,775	9,653
Vacant land	524,146	514,056
Industrial	1,966,443	1,841,280
Public Service Infrastructure	20,063	33,036
Total Assessment Rates	8,338,608	7,637,632

Valuations

Residential	334,167,042	331,010,850
Business / Commercial	113,798,903	111,560,724
Unauthorised / Illegal development	428,654	385,494
Agricultural	3,850,887	3,712,822
Vacant land	11,054,760	11,484,190
Industrial	60,047,728	59,588,352
Public Service Infrastructure	17,363,845	18,151,479
Development Phasing Line	110,262	116,682
Total Property Valuations	540,822,081	536,010,593

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.011191 (2018: R0.01060); Agriculture - R0.002798 (2018: R0.00260); Vacant Land - R0.050176 (2018: R0.04730); Industrial - R0.032748 (2018: R0.03090); Business and Commercial - R0.025373(2018:R0.02390); Public Service Infrastructure - R0.002798 (2018: R0.00260); Unauthorised / Illegal Development - R0.078337 (2018:R0.07390); Development Phasing line - R0.016558 (2018: R0.01560); Rural Residential R0.011191 (2018: R0.01060). In addition to the statutory reduction of R150 000, a further reduction of R105 000 was approved for property values exceeding R230 000. In addition to the R230 000, pensioners, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R4 364p.a. The Senior Citizens rebate is restricted to a maximum limit of R3 million on the value of the property.

Valuations based on market values are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values as well as to adjust for valuation appeals where applicable.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

31. Government grants and subsidies

Included in grants revenue is R301m recognised for Vat claimed relating to DORA grants.

Equitable Share	2,893,016	2,582,776
Expanded Public Works Programme Incentive	75,333	66,792
European Union	2,093	658
Primary Health Care Provincial Subsidy	206,019	285,260
Department of Transport and Public Transport infrastructure	516,290	610,567
Department of Environmental Affairs	-	500
Demand Side Management	11,893	14,153
Urban Settlement Development Grant	1,859,000	1,980,109
Other Grants	41,383	37,158
Public Contributions	-	1
Neighbourhood Development Partnership	23,343	21,824
Department of Human Settlements	95,149	58,171
Grant Accreditation	24,218	19,934
Department of Arts and Culture	56,078	49,467
DPSA - Aquaponics Projects	-	1,461
Integrated City Development Grant	45,596	39,111
Electricity Capital Grant	27,000	35,000
DBSA Grant	-	5,355
Infrastructure Skills Grant	4,224	6,258
	5,880,635	5,814,555

Equitable Share

Current-year receipts	2,893,016	2,582,776
Conditions met - transferred to revenue	(2,893,016)	(2,582,776)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

D Moss Interest and Land Sales

Balance unspent at beginning of year	8,073	8,073
--------------------------------------	-------	-------

Conditions still to be met - remain liabilities (see note 22).

Awaiting the finalisation of land purchase for D MOSS. Commercial Properties have refused to sell their DMOSS properties to the municipality. The fair value of the land that was intended for acquisition with these proceeds is in the region of R 100 million.

Department of Environmental Affairs

Balance unspent at beginning of year	7,838	8,338
Conditions met - transferred to revenue	-	(500)
	7,838	7,838

Conditions still to be met - remain liabilities (see note 22).

Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway. This grant is received from Department of Environmental Affairs for the National Greening Programme and the promotion of non-motorised transport with the aim of reducing gas emissions.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
31. Government grants and subsidies (continued)		
Department of Transport and Public Transport Infrastructure		
Balance unspent at beginning of year	306,583	-
Current-year receipts	825,877	917,150
Conditions met - transferred to revenue	(472,139)	(610,567)
Grants paid back	(306,583)	-
VAT recognised	(44,151)	-
	309,587	306,583

Conditions still to be met - remain liabilities (see note 22).

The funds received and utilised relates to subsidy for Remant/ Alton Bus Operating subsidy and traffic and pedestrian planning. There were delays in the projects funded by this grant due to work stoppages; procurements delays, group 5 business rescue and pending agreements with other stakeholders.

Neighbourhood Partnership Development

Balance unspent at beginning of year	28,850	28,154
Current-year receipts	25,220	50,674
Conditions met - transferred to revenue	(20,444)	(21,824)
Grant paid back	(28,850)	(28,154)
VAT recognised	(2,899)	-
	1,877	28,850

Conditions still to be met - remain liabilities (see note 22).

Focus of the grant is to create economic infrastructure in dormitory townships that will attract private sector investment.

European Union

Balance unspent at beginning of year	5,659	2,077
Current-year receipts	-	4,240
Conditions met - transferred to revenue	(2,094)	(658)
	3,565	5,659

Conditions still to be met - remain liabilities (see note 22).

Funds used for Capacity Enhancement / Knowledge Management in terms of close our report

Other Grants and Subsidies

Balance unspent at beginning of year	29,975	15,698
Current-year receipts	42,858	51,881
Conditions met - transferred to revenue	(41,383)	-
Prior Year adjustment write back	-	(446)
Conditions met - transferred to revenue	-	(37,158)
	31,450	29,975

Conditions still to be met - remain liabilities (see note 22).

Other grants and subsidies were utilised during the year to fund various Council projects. Underspending was also due to part of the funding received late in the year.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
31. Government grants and subsidies (continued)		
Department of Human Settlements		
Balance unspent at beginning of year	138,110	83,735
Current-year receipts	199,998	110,242
Conditions met - transferred to revenue	(88,972)	(58,171)
Accrued receipts	-	2,304
VAT recognised	(6,177)	-
	242,959	138,110

Conditions still to be met - remain liabilities (see note 22).

Funding is used for:

- * Administration of hostels in KZN;
- * Social housing and housing conveyancing;
- * R293 projects and Cornubia construction.

Grant Accreditation

Balance unspent at beginning of year	4,913	11,929
Current-year receipts	24,218	12,918
Conditions met - transferred to revenue	(24,218)	(19,934)
	4,913	4,913

Conditions still to be met - remain liabilities (see note 22).

These funds are for the administrative support provided for RDP houses.

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	5,000	5,000
Current-year receipts	1,000	-
	6,000	5,000

Conditions still to be met - remain liabilities (see note 22).

These funds are used for implementing projects identified through the KZN Corridor Development Programme, supporting existing Council initiatives that require additional funding, and to unlock strategic economic development opportunities within the Northern Municipal Planning Region (NMPR) of the City.

The delay is due to the municipality awaiting confirmation from COGTA to keep the grant funding that was insufficient to fully fund the planned projects to fund other projects. R1m received for youth summit in 18/19 was not spent due to Youth summit event being postponed by COGTA.

Donations and Public Contributions

Balance unspent at beginning of year	30,793	30,794
Current-year receipts	6,083	-
Conditions met - transferred to revenue	-	(1)
	36,876	30,793

Conditions still to be met - remain liabilities (see note 22).

The grants were received from various organisations to finance various developments. In the prior year this includes development of Nandi Drive and various roads in Hillcrest.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
31. Government grants and subsidies (continued)		
Department of Arts & Culture		
Balance unspent at beginning of year	527,574	505,250
Current-year receipts	87,212	72,563
Conditions met - transferred to revenue	(55,801)	(49,467)
VAT recognised	(278)	-
Prior Year adjustment write back	-	(772)
	558,707	527,574

Conditions still to be met - remain liabilities (see note 22).

The grant is for the capital and operating expenditure for the Libraries as well their Museum. There has been challenges in the procurement process for the libraries as well as delays in the capital project of the Museum which has resulted in delays in the procurement of capital assets (computer, furniture, artworks etc.) for the Museum therefore resulting in under expenditure.

Electricity Demand Side Management Grant

Balance unspent at beginning of year	847	960
Current-year receipts	14,000	15,000
Conditions met - transferred to revenue	(10,346)	(14,153)
Paid back	(293)	(960)
VAT recognised	(1,546)	-
	2,662	847

Conditions still to be met - remain liabilities (see note 22).

This grant is used to finance the Gas to Electricity projects. Underspensing is due to funds that were allocated for the Exterior lighting Retrofit project at Moses Mabhida (MMS) which could not be fully spent as the project was not completed in the current year due to delays in the procurement process.

Infrastructure Skills Grants

Balance unspent at beginning of year	5,635	5,321
Current-year receipts	33,200	30,293
Grant transferred - Umgeni Water	(23,200)	(18,400)
Paid back	(5,635)	(5,321)
Conditions met - transferred to revenue	(4,223)	(6,258)
VAT recognised	(1)	-
	5,776	5,635

Conditions still to be met - remain liabilities (see note 22).

This grant is used for the development of engineering and related technology graduates to equip themselves in achieving professional registration in water and wastewater related skills. The spending is lower due to a decrease in the number of students funded by this grant and the delay in the appointment of a mentor.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

31. Government grants and subsidies (continued)

Urban Settlements Development Grant

Current-year receipts	1,859,000	1,980,109
Conditions met - transferred to revenue	(1,622,567)	(1,980,109)
VAT recognised	(236,433)	-
	-	-

This grant was utilised for housing densification, water, electricity and sanitation infrastructure, sidewalks, agricultural gardens and various town centre renewals. This grant has replaced the former Municipal Infrastructure Grant.

Expanded Public Works Incentive Grant

Current-year receipts	75,333	66,792
Conditions met - transferred to revenue	(75,333)	(66,792)
	-	-

This grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing them economic participation and resulting in poverty alleviation.

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
31. Government grants and subsidies (continued)		
Primary Health Care Provincial Subsidy		
Balance unspent at beginning of year	62,084	51,689
Current-year receipts	117,586	187,569
Stock Medicine	22,535	10,395
Conditions met - transferred to revenue	(206,019)	(285,260)
Accrued receipts	88,433	97,691
	84,619	62,084

Conditions still to be met - remain liabilities (see note 22).

Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services. The balance relate to the closing medicine stock held by the municipality.

Department of Sports & Recreation

Balance unspent at beginning of year	10,525	10,525
Current-year receipts	1,500	-
	12,025	10,525

Conditions still to be met - remain liabilities (see note 22).

This grant is for the construction of Durban Soccer Academy, Kwamashu sportfield and the heating of Croftdene pool. Delays were due to litigation matters being resolved late in 18/19 hence construction to commence in 2019/20.

DPSA - Aquaponics Projects

Balance unspent at beginning of year	-	1,461
Conditions met - transferred to revenue	-	(1,461)
	-	-

This grant was used for Aquaponics projects by the Department of Public Service and Administration.

DBSA

Balance unspent at beginning of year	95,992	98,984
Current-year receipts	313	2,363
Conditions met - transferred to revenue	-	(5,355)
	96,305	95,992

Conditions still to be met - remain liabilities (see note 22).

To be used for various community reforestation projects, rehabilitation of the Palmiet River projects, Western and Northern aqueduct projects. There were delays earlier in the year due to work stoppages. Projects are now in progress.

Municipal Emergency Housing Grant

Current-year receipts	90,810	-
-----------------------	--------	---

Conditions still to be met - remain liabilities (see note 22).

This grant is used for the provision of housing during emergencies.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
31. Government grants and subsidies (continued)		
Electricity Capital Grant		
Current-year receipts	27,000	35,000
Conditions met - transferred to revenue	(23,478)	(35,000)
VAT recognised	(3,522)	-
	-	-

This grant was used for the electrification programme of indigents.

Intergrated City Development

Current-year receipts	45,596	39,111
Conditions met - transferred to revenue	(39,649)	(39,111)
VAT recognised	(5,947)	-
	-	-

The grant was used to provide financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

Municipal Disaster Grant

Current-year receipts	79,763	-
-----------------------	--------	---

Conditions still to be met - remain liabilities (see note 22).

This grant is used to assist communities after disasters.

32. Levies

Fuel Levy	2,338,680	2,211,611
-----------	-----------	-----------

National Treasury shared revenue generated by the general fuel levy.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
33. Employee related costs		
Employee related costs - Salaries and Wages	5,951,673	5,409,810
Medical aid and Pension Benefits	1,532,104	2,080,218
UIF and Workmans Compensation	44,285	42,347
Contribution to Provisions (Leave Pay, Performance Bonus, Long Service Awards)	503,667	338,912
Travel, motor car, accommodation, subsistence and other allowances	445,001	401,427
Overtime payments	1,344,535	1,225,627
Housing benefits and allowances	38,613	45,801
Holiday Bonus (13th Cheque)	462,086	418,380
Other	23,277	21,938
Less: Employee costs relating to capitalisation and maintenance of PPE	(69,132)	(74,736)
	10,276,109	9,909,724
Municipal Manager - Mr. S. Nzuza		
Annual Remuneration	3,027	2,912
Car Allowance	185	180
Other Allowances (Subsistence, Leave cashing, Backpay)	179	91
Contributions to UIF and SDL	35	33
	3,426	3,216
Chief Finance Officer - Mr. K. A. Kumar		
Annual Remuneration	1,642	1,596
Car Allowance	569	553
Performance Bonuses	145	147
Holiday Bonus (13th cheque)	142	133
Market Allowance	242	242
Cellphone Allowance	18	18
Other Allowances (Subsistence, Backpay)	122	11
Contributions to UIF, SDL, Medical and Pension Funds	398	372
	3,278	3,072
D.C.M: Economic Development and Planning - Mr. P. Sithole (appointed 1 January 2018 - internally)		
Annual Remuneration	1,440	1,270
Car Allowance	400	392
Performance Bonuses	102	-
Holiday Bonus (13th cheque)	158	94
Cellphone Allowance	12	10
Other Allowances (Subsistence, Backpay)	87	265
Contributions to UIF and SDL	18	143
	2,217	2,174
D.C.M: Health and Social Services - Dr. M. Gumede (resigned 31 July 2017)		
Annual Remuneration	-	161
Car Allowance	-	10
Performance Bonuses	-	137
Cellphone Allowance	-	1
Other Allowances (Subsistence, Leave payout)	-	266
Contributions to UIF, SDL, and Medical Fund	-	7
	-	582

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

33. Employee related costs (continued)

D.C.M: Governance - Mr. S. O. Cele

Annual Remuneration	1,642	1,596
Car Allowance	569	553
Performance Bonuses	113	99
Holiday Bonus (13th cheque)	142	133
Market Allowance	121	121
Cellphone Allowance	12	12
Other Allowances (Subsistence, Leave Cashing, Backpay)	133	85
Contributions to UIF, SDL, Medical and Pension Funds	386	360
	3,118	2,959

D.C.M: Trading Services - Mr. Mashoko

Annual Remuneration	2,360	2,280
Car Allowance	110	108
Performance Bonuses	168	-
Holiday Bonus (13th cheque)	203	192
Market Allowance	243	243
Cellphone Allowance	12	12
Other Allowances (Non-pensionable, Backpay)	136	118
Contributions to UIF and SDL	31	27
	3,263	2,980

Head: City Integrity and Investigation - Mr. Ngcobo

Annual Remuneration	1,141	1,078
Car Allowance	396	374
Performance Bonuses	183	-
Holiday Bonus (13th cheque)	96	90
Cellphone Allowance	9	9
Other Allowances (Subsistence, Backpay, Leave)	93	49
Contributions to UIF, SDL, Medical and Pension Funds	276	257
	2,194	1,857

D.C.M: Corporate and Human Resources - Mrs. D. P. Nene (contract expired 31 January 2018; temporary contract from 1 February 2018 to 31 January 2019)

Annual Remuneration	961	1,837
Car Allowance	63	108
Performance Bonuses	195	135
Holiday Bonus (13th cheque)	103	93
Cellphone Allowance	7	12
Other Allowances (Subsistence, Leave)	146	-
Contributions to UIF, SDL, and Medical Fund	30	59
	1,505	2,244

D.C.M: Human Settlements - Ms. B. Mphakathi (appointed 1 May 2018 - internally)

Annual Remuneration	1,822	1,217
Car Allowance	172	339
Holiday Bonus (13th cheque)	-	94
Cellphone Allowance	12	10
Other Allowances (Subsistence, Backpay)	92	218
Contributions to UIF and SDL	15	336

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
33. Employee related costs (continued)	2,113	2,214
Head: Internal Audit/Chief Audit Executive - Mr. R. Machumi (appointed 01 August 2018)		
Annual Remuneration	1,027	-
Car Allowance	442	-
Cellphone Allowance	8	-
Other Allowances (Backpay)	8	-
Contributions to UIF, SDL, Medical and Pension Funds	246	-
	1,731	-
Head: Internal Audit/Chief Audit Executive - Mr. P Ntsimane (resigned 31 August 2017)		
Annual Remuneration	-	184
Car Allowance	-	64
Performance Bonuses	-	121
Cellphone Allowance	-	1
Other Allowances (Subsistence, Non-pensionable, Leave Cashing)	-	43
Contributions to UIF, SDL, Medical and Pension Funds	-	44
	-	457
Head: Information Management Unit/ Chief Information Officer - Mr. R. Dlamini		
Annual Remuneration	1,152	1,088
Car Allowance	399	377
Performance Bonuses	78	84
Holiday Bonus (13th cheque)	97	91
Cellphone Allowance	9	9
Other Allowances (Subsistence, Backpay, Long service)	37	20
Contributions to UIF, SDL, Medical and Pension Funds	279	260
	2,051	1,929
Chief Strategic Officer - Mr. A. Peters		
Annual Remuneration	1,568	1,481
Car Allowance	540	510
Performance Bonuses	114	154
Holiday Bonus (13th cheque)	132	124
Market Allowance	524	524
Cellphone Allowance	12	12
Other Allowances (Subsistence, Entertainment, Telephone, Long service, Backpay)	89	83
Contributions to UIF, SDL, Medical and Pension Funds	341	335
	3,320	3,223
Chief Operating Officer - Mr. T. Mbhele (appointed 01 May 2019 - internally)		
Annual Remuneration	238	-
Car Allowance	78	-
Cellphone Allowance	2	-
Other Allowances (Subsistence, Leave Cashing)	229	-
Contributions to UIF, SDL, Medical and Pension Funds	3	-
	550	-

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
34. Remuneration of councillors		
Mayor	1,450	1,311
Deputy Mayor	1,143	1,064
Mayoral Committee Members	9,564	8,719
Speaker	1,159	1,063
Councillors	112,399	106,407
Traditional Leaders	780	780
Total Councillors' Remuneration	126,495	119,344

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with bodyguards and are provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
34. Remuneration of councillors (continued)		
Mayor (1)		
Remuneration Allowances	1,132	989
Travelling Allowance	58	81
Cellphone Allowance	41	41
Medical Aid	49	47
Pension Fund	170	153
	1,450	1,311
Deputy Mayor (1)		
Remuneration Allowances	948	832
Travelling Allowance	12	-
Motor Vehicle Allowance	-	63
Cellphone Allowance	41	41
Pension Fund	142	128
	1,143	1,064
Speaker (1)		
Remuneration Allowances	677	633
Travelling Allowance	28	-
Motor Vehicle Allowance	273	255
Cellphone Allowance	41	41
Medical Aid	39	36
Pension Fund	101	98
	1,159	1,063
Mayoral Committee Members (8)		
Remuneration Allowances	7,007	5,768
Travelling Allowance	71	642
Motor Vehicle Allowance	1,025	678
Cellphone Allowance	359	355
Medical Aid	414	380
Pension Fund	688	896
	9,564	8,719
Councillors (199)		
Remuneration Allowances	67,584	64,696
Travelling Allowance	304	4,212
Motor Vehicle Allowance	20,023	13,497
Cellphone Allowance	8,317	8,453
Medical Aid	6,975	6,434
Pension Fund	9,196	9,115
	112,399	106,407
Traditional Leaders (13)		
Allowances	780	780
35. Finance costs		
Non-current borrowings	829,384	811,675
Trade and other payables	28,450	40,661
Other interest paid	-	7
	857,834	852,343

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

35. Finance costs (continued)

An amount of R2.7million (2018: R3.0million) relating to borrowing costs was capitalised to work-in-progress with 9% (2018: 9%) being the weighted average cost of funds borrowed generally by the Municipality. The capitalisation of interest is only applicable for qualifying assets that existed before the decision by council to expense all borrowing costs. For these assets, borrowing costs will be capitalised to work-in-progress until such a time the project is completed and capitalised. All other borrowing costs are expensed when incurred.

The accumulated borrowing costs that have been capitalised to work-in-progress at 30 June 2019 are R84.8million (30 June 2018: R82.1million).

36. Bulk purchases (cost of sales)

Electricity	8,884,076	8,280,136
Water	2,596,939	2,153,514
	11,481,015	10,433,650

37. Contracted services

Outsourced Services

Administrative and Support Staff	320,432	263,626
Cleaning Services	92,710	74,352
Clearing and Grass Cutting Services	178,009	135,333
Hygiene Services	57,290	112,840
Meter Management	57,830	50,640
Refuse Removal	369,429	342,335
External Security	884,947	763,095
Other	79,036	68,412

Consultants and Professional Services

Engineering and other technical services	63,386	78,773
Legal expenses	48,892	38,933
Research and Advisory	141,549	65,758
Project management	41,551	28,399
Other	63,201	33,026

Contractors

Artists and Performers	21,156	38,503
Catering Services	65,109	47,411
Event Promoters	38,493	34,354
Repairs and Maintenance	2,022,708	2,145,126
Recycling	19,415	30,869
Stage and Sound Crew	30,563	22,838
Other	83,155	65,869

4,678,861	4,440,492
------------------	------------------

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
38. Grants and subsidies		
Grant Paid: Point Precinct Trust	2,065	1,956
Grant Paid: Sporting Organisations	252,811	231,937
Grant Paid: ICC Durban (Proprietary) Limited	8,441	9,132
Grant Paid: Durban Marine Theme Park (State Owned Company) Limited	74,775	70,391
Grant Paid: Natal Philharmonic Orchestra	7,316	7,000
Grant Paid: SEDA eThekwini	-	5,610
Grant Paid: Other	196,619	129,517
Grant Paid: The Loerie Awards	1,500	3,876
Grant Paid: KZN Sharks (Pty) Ltd	4,000	4,000
	547,527	463,419
39. General expenses		
Advertising	111,509	143,645
Auditors remuneration	23,635	22,610
Bank charges	7,037	6,379
Cleaning	31,993	25,649
Commission paid	74,923	76,417
Information systems - Consulting and professional fees	351,385	204,497
Delivery expenses	1,944	1,996
Civic entertainment	346	425
Hire of facilities, plant and equipment	333,206	226,958
Insurance	94,456	58,266
Conferences and seminars	44,974	40,280
IT expenses	818	462
Marketing	11,506	5,951
Management fees	266,764	223,616
Magazines, books and periodicals	14,521	14,177
Medical requisites	4,445	5,648
Fuel and oil	327,465	278,462
Postage and courier	33,866	32,586
Printing and stationery	57,530	58,908
Promotions	32,437	37,071
Protective clothing	52,821	47,952
Subscriptions and membership fees	22,311	24,612
Telephone and fax	59,488	48,747
Transport and freight	30,051	28,710
Training	85,819	78,001
Travel - local	27,391	22,358
Travel - overseas	13,712	6,141
Title deed search fees	1,011	824
Refuse bags	70,178	98,350
Small plant and tools	12,477	9,554
Other expenses	893,141	858,343
	3,093,160	2,687,595

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
40. Cash generated from operations		
Surplus	2,168,288	2,219,598
Adjustments for:		
Depreciation on PPE	2,084,311	2,094,256
Loss / (gain) on sale of PPE	1,987	4,664
Amortisation of Intangible Assets	216,773	217,634
Depreciation: Investment Property	782	1,241
Loss / (Income) from Joint Venture	19,403	2,031
Reversal of loss on impairment: PPE	-	(4,016)
Impairment PPE	15,009	-
Debt impairment	1,276,588	1,844,299
Impairment reversal on investment properties	(1,201)	-
Movements in retirement benefit assets and liabilities	(257,057)	439,984
Movements in provisions	311,343	319,286
Loss on impairment: Investment properties	-	1,756
Donations:PPE	(457)	(857)
Reversal of loss on impairment: Municipal Entity	-	(32,052)
Loss on impairment : Municipal Entity	20,011	-
Changes in working capital:		
Inventories	(69,721)	(68,016)
Receivables from exchange transactions	(536,731)	(149,373)
Consumer debtors	(1,672,055)	(1,948,487)
Other receivables from non-exchange transactions	(128,321)	(364,483)
Payables from exchange transactions	311,929	218,106
VAT	223,377	(193,322)
Unspent conditional grants and receipts	311,050	401,681
Consumer deposits	80,864	124,387
Transfers Payables from non-exchange transactions	(8,670)	9,978
	4,367,502	5,138,295
41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities	9,419,915	8,161,100
Used to finance property, plant and equipment – at cost	(9,419,915)	(7,817,703)
	-	343,397

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

42. Commitments

Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure	2,986,476	3,710,201
• Community	190,880	135,688
• Land and Buildings	103,830	172,584
• Other	482,737	935,550
	3,763,923	4,954,023

Approved but not yet contracted for

• Infrastructure	427,958	189,655
• Land and Buildings	-	56,630
• Other	-	160,000
	427,958	406,285

Total capital commitments

Approved and contracted for	3,763,923	4,954,023
Approved but not yet contracted for	427,958	406,285
	4,191,881	5,360,308

Included in the Other Capital Commitments figure for Housing is Housing Agency commitments amounting to R375million (2018: R631million).

Operating leases - as lessee (expenditure)

Minimum lease payments due

- within one year	75,389	105,879
- in second to fifth year inclusive	46,320	70,617
- later than five years	2,659	2,266
	124,368	178,762

Operating Commitments

Minimum lease payments due

- payable within one year	1,124,372	1,686,481
- payable within two to three years	387,198	327,623
- payable after three years	27,279	23,180
	1,538,849	2,037,284

There are no operating commitments for External Security as the contract is on a month to month basis. The 3 year budget forecast is R786million, R855.2million and R922.4million respectively.

All commitments are stated exclusive of VAT.

43. Operating leases - as lessor (income)

Rental income recognised from operating leases has not been accounted for on the straight-line basis over the lease terms for the following reasons:

Approximately 50% of lease income is short term ie. the lease is terminable at 1 to 3 months notice;
Approximately 45% of long term lease income is based on turnover ie. subjective and not fixed.

Lease income is recognised as it accrues. The straight-lining of lease income is considered not to provide a fair reflection of income from leases.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

44. Contingencies

Contractual Disputes	1,025,161	997,195
----------------------	-----------	---------

Various departments within the Municipality have price disputes with certain contractors.

Self Insurance Reserve	879,187	752,558
------------------------	---------	---------

Various claims submitted to the Insurance department of the Municipality are under dispute. The estimated liability of such claims is disclosed.

Property Rates	37,126	12,052
----------------	--------	--------

During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.

Bank Guarantees	148,521	70,229
-----------------	---------	--------

These guarantee's are issued in favour of the following:

- S.A. Post Office: R76 000 (Nedbank Bank) dated 08 May 2017;
- S.A. Post Office: R1.900million (Nedbank Bank) dated 08 May 2017;
- Compensation Commissioner: R136.545million (2018: R68 253million) - (NedBank) dated 25 February 2016;
- Water and Sanitation: Demand guarantee (R10million)

Legal Claims	219,116	215,249
--------------	---------	---------

Various claims submitted to the legal department of the Municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed. Costs and disbursements relating to litigation are included in the contingent liability where they can be reliably estimated. In most instances these cannot be reliably estimated due uncertainty about the number of instances the municipality would need to appear at court.

Legal disputes relate to:

- Rates dispute: R5.2million (2018: R5.6million);
- Value of compensation in respect of expropriation of various properties: R107.2million (2018: R75.9million);
- Claims for damages - various: R105.7million (2018: R111.1million);
- Legal Insurance claims: R0.954million (2018: R22.6million).

Claims - Bus Operator	132,050	132,050
-----------------------	---------	---------

Bus Operator:

- There is currently a dispute with respect to the amount owing by the bus Operator, which is R236million disclosed in Other Receivables.
- The bus Operator has submitted a claim to the municipality which amounts to R632.5 million. Meetings to resolve the dispute are still ongoing.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
45. Related parties		
Relationships		
Municipal Entities (refer to note 15)		Durban Marine Theme Park SOC Limited
Special Purpose Entity		ICC Durban (Pty) Ltd
Joint Ventures (refer to note 16)		Ethekeeni Transport Authority
		Effingham Development Joint Venture
		Durban Point Development Company
Key Management Personell (refer to notes 32 and 33)		Senior Management and Councillors
Related party balances as at 30 June 2019 and 30 June 2018:		
Loan accounts - Owing by related parties		
Durban Point Development Company	178,266	171,054
Amounts included in trade receivable regarding related parties		
Durban Marine Theme Park SOC Limited	24,201	18,678
ICC Durban (Pty) Ltd	8,690	6,243
Effingham Development Joint Venture	10,000	6,500
Amounts included in trade payables regarding related parties		
Durban Marine Theme Park SOC Limited	151	2,833
ICC Durban (Pty) Ltd	8,746	6,605
Durban Point Development Company	4,317	10,104
Ethekeeni Transport Authority	37,971	34,857
Consumer Deposits		
ICC Durban (Pty) Ltd	1,647	1,647
Amounts included in receivables from exchange regarding related parties		
Durban Marine Theme Park SOC Limited (Moses Mabhidu - VAT)	-	10,997
Related party transactions for the period ended 30 June 2019 and 30 June 2018:		
Sales to related parties		
ICC Durban (Pty) Ltd:	-	-
Electricity	16,955	10,264
Water	2,374	1,996
Refuse	958	991
Rates	9,720	9,137
Insurance	21	5
Other (Capital asset)	-	4,980
Durban Marine Theme Park SOC Limited:	-	-
Electricity	22,490	22,515
Water	10,791	9,874
Waste	970	947
Insurance	312	437
Rates	3,857	3,633
Durban Point Development Company:	-	-
Rates	3,606	3,399
Electricity and Water	16	14
Effingham Development Joint Venture:	-	-
Electricity and Water	-	1
Surplus / (Deficit) from Joint Venture	(14,082)	2,862
Rates	-	216
Purchases from related parties		
ICC Durban (Pty) Ltd:	-	-
General Expenses	66,602	43,607
Grant-in-Aid	8,441	8,753

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
45. Related parties (continued)		
Durban Marine Theme Park SOC Limited:	-	-
General Expenses	8,684	9,057
Grant-in-Aid	74,775	70,390
Ethekewini Transport Authority:	-	-
General Expenses	2,312	2,730
The Grant-in-Aid for Durban Marine Theme Park SOC Limited was previously disclosed only on Note 37: Grants and subsidies paid. For completeness of the related party disclosures, this Grant-in-Aid has also been included on this note.		
46. Prior year adjustments		
The following adjustments all relate to corrections of prior-period misstatements.		
Consumer Debtors		
Balance previously reported (30 June 2018)	-	4,577,457
Rates adjustments	-	(42,575)
Rates adjustments - Special Rating Areas	-	(26,537)
	-	4,508,345
Payables from exchange transactions		
Balance previously reported (30 June 2018)	-	6,052,441
Trade payables adjustments	-	(37,818)
Accruals adjustments	-	2,828
Other payables adjustments	-	(40,293)
Retention adjustments	-	(5,808)
Liability for refund of bail monies	-	123
	-	5,971,473
Intangible assets		
Balance previously reported (30 June 2018)	-	820,009
Cost adjustments	-	3,086
Work in progress adjustments	-	(4,154)
Accumulated depreciation adjustments	-	(828)
Depreciation adjustments	-	(118)
	-	817,995
Cash and Bank Balances		
Balance previously reported (30 June 2018)	-	198,226
Correction of receipting misallocation	-	141
Petty Cash adjustment	-	1
	-	198,368
Property, Plant and Equipment		
Balance previously reported (30 June 2018)	-	48,279,890
Cost adjustments	-	850,374
Work in progress adjustments	-	(1,077,320)
Accumulated impairment reversal	-	9,727
Accumulated depreciation adjustments	-	2,760
Depreciation adjustments	-	(22,081)
	-	48,043,350

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

46. Prior year adjustments (continued)

Accumulated Surplus

Balance previously reported (30 June 2018)	-	40,541,444
Consumer Debtors: Rates adjustments	-	(42,575)
Consumer Debtors: Special Residential Area's adjustments	-	(26,537)
VAT: Correction of Umgeni Water adjustment	-	11,567
Cash and Bank Balances: Petty cash float adjustment	-	1
Cash and Bank Balances: Correction of receipting misallocation	-	141
Property, Plant and Equipment: depreciation adjustments	-	(22,081)
Property, Plant and Equipment: other adjustments	-	(177,849)
Intangible Assets: amortisation adjustments	-	(118)
Receivables from exchange: Debtors book adjustments	-	(14,500)
Receivables from exchange: VAT reallocation 2013/14	-	59,622
Receivables from exchange: Insurance prepayment recognition	-	25,168
Receivables from exchange transactions: Accrual of Health subsidy	-	51,981
Receivables from exchange transactions: Private jobbing adjustments	-	(13,203)
Receivables from exchange transactions: Accrual of VAT apportionment	-	12,732
Receivables from exchange transactions: Other adjustments	-	(7,951)
Unspent conditional grants: Write-off of Durban Bay estuary grant	-	446
Unspent conditional grants: Write-off of Stable Theatre grant	-	772
Inventories: Cost price adjustments	-	(28,801)
Payables from exchange transactions: Retention adjustments	-	41,442
Payables from exchange transactions: Accruals adjustments	-	(23,355)
Payables from exchange transactions: Water loss insurance adjustments	-	40,256
	-	40,428,602

Inventories

Balance previously reported (30 June 2018)	-	576,328
Transfer from Property, Plant and Equipment	-	1,273
Electricity cost price adjustments	-	(44,225)
	-	533,376

Unspent conditional grants and receipts

Balance previously reported	-	1,269,669
Write-off of Durban Bay estuary grant	-	(446)
Write-off of Stable Theatre grant	-	(772)
	-	1,268,451

Receivables from exchange transactions

Balance previously reported (30 June 2018)	-	2,030,876
Private Jobbing adjustments	-	(13,203)
Adjustment to Debtors book transaction	-	(14,500)
Other Accruals adjustments	-	(7,727)
VAT reallocation 2013/14	-	59,622
Accrual for VAT apportionment 2018	-	12,732
Accrual of Health subsidy	-	51,981
Insurance prepayment recognition	-	25,168
Property, Plant and Equipment adjustments	-	(260)
	-	2,144,689

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

46. Prior year adjustments (continued)

VAT receivable

Balance previously reported (30 June 2018)	-	451,162
Property, Plant and Equipment: Capital adjustments	-	28,524
Payables from exchange transactions: VAT adjustments	-	191
Correction of Umgeni Water adjustment	-	11,567
Receivables from exchange transactions: VAT adjustments	-	(188)
	-	491,256

Payables from non-exchange transactions

Balance previously reported (30 June 2018)	-	29,280
Adjustment to Payables from exchange transactions	-	(1,542)
	-	27,738

The reasons for the various adjustments are summarised below:

Consumer Debtors:

Rates adjustments relating to prior periods.

Payables from exchange transactions:

Reversal of items incorrectly accrued for.

Raising of accruals erroneously omitted in prior periods.

Property, Plant and Equipment:

Capitalisation of assets received in prior periods but not accrued for.

VAT element of PPE items received in prior periods but not accrued for.

Transfer of Stores items to Inventories.

Depreciation adjustments due to changes in useful lives.

Intangible assets:

Cost / Amortisation adjustments.

Receivables from exchange transactions:

Accrual for Health subsidy receivable in prior period.

Inventories:

Transfer of Stores items from Property, Plant and Equipment.

Cost price adjustments.

VAT receivable:

VAT portions relating to prior year adjustments.

Unspent conditional grants:

Write-off of grants relating to Durban Bay estuary and Stables theatre.

Cash and Bank balances:

Adjustments relating to prior period receipting misallocation as well as a petty cash correction.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	14,300	13,500
Amount paid - current year	(14,300)	(13,500)
	-	-

Audit fees

Opening balance - previous year fees	159	1,079
Current year audit fees	23,635	22,610
Amount paid for current year	(22,005)	(22,451)
Amount paid for previous year	(159)	(1,079)
	1,630	159

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, UIF and SDL

Current year payroll deductions	1,713,722	1,527,068
Amount paid - current year	(1,713,722)	(1,527,068)
	-	-

Pension and Medical Aid Deductions

Current year expenditure	2,471,958	2,209,357
Amount paid - current year: Defined Benefit Pension Funds	(211,777)	(209,271)
Amount paid - current year: Defined Contribution Pension Funds	(1,335,338)	(1,163,473)
Amount paid - current year: Medical Aid	(924,843)	(836,613)
	-	-

VAT

VAT received for the year	804,447	298,530
VAT paid	(77,746)	(65,934)
	726,701	232,596

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Unaudited

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days during the financial years ended June 30, 2019 and June 30, 2018: :

June 30, 2019	Amount outstanding (Rands)	Month
Councillor B. Majola	100	Dec-18
Councillor B. Mngwengwe	24	Jun-19
Councillor B. Ndlela	3	Jun-19
Councillor C. Dlamini	4,033	Mar-19
Councillor M. David	1,066	Jun-19
Councillor M. Gwala	860	Jun-19
Councillor M. Mkhize	6,196	Mar-19
Councillor MB. Mjadu	823	Jun-19
Councillor MH. Zwane	3,976	Jun-19
Councillor MM. Mthembu	548	Jun-19
Councillor N. Biyela	327	Jun-19
Councillor PL. Hlengwa	7,961	Jun-19
Councillor R. Cloete	57	Dec-18
Councillor S. Moonsamy	282	Sep-18
Councillor S. Thango	176	Dec-18
Councillor SG. Dlamini	13	Jun-19
Councillor SS. Butelezi	227	Mar-19
Councillor VP. Kaluza	77	Jul-18
Councillor Y. Govender	5,466	Jan-19
Councillor ZD. Gushu	320	Nov-18
	32,535	
June 30, 2018	Amount outstanding (Rands)	Month
Councillor A. Mbele	229	Mar-18
Councillor A. Rampersad	68	Mar-18
Councillor B. Majola	2,967	Oct-17
Councillor B. Mngwengwe	52	Jun-18
Councillor E. Mngadi	330	May-18
Councillor M. David	92	Apr-18
Councillor M. Gwala	734	Jun-18
Councillor M. Mkhize	1,486	Dec-17
Councillor MB. Mjadu	152	Oct-17
Councillor MBR. Zuma	963	Mar-18
Councillor MH. Zwane	242	Jun-18
Councillor MM. Mthembu	822	Jun-18
Councillor N. Biyela	311	Jun-18
Councillor N. Hlomuka	14,572	Nov-17
Councillor N. Nxumalo	39,510	Apr-18
Councillor SG. Dlamini	14	Feb-18
Councillor TJT. Cibane	911	Dec-17
Councillor TM. Mthethwa	361	Feb-18
Councillor TT. Nzuza	551	Dec-17
Councillor ZD. Gushu	2	Feb-18
Councillor ZM. Mncwango	7,863	Dec-17
	72,232	

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
--------------------------	------	------

48. Comparative figures

Certain comparative figures have been restated (refer note 46 for details).

49. Deviation from supply chain management regulations

Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) of the Supply Chain Management Policy amounted to R416.9 million (2018: R665.8 million).

Details of the awards are summarised in the tables below:

2019: Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	3	4.17 %	47,663	11.43 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	20	27.78 %	168,860	40.49 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	1	1.39 %	22,770	5.46 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	48	66.66 %	177,699	42.62 %
		72	-	416,992	-
2018: Categories per SCM regulations	SCM Regulation Reference	Number of cases	% of Total	Value (R000's)	% of Rand Value
In an emergency	36(1)(a)(i)	14	15.05 %	238,950	35.89 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	16	17.20 %	79,033	11.87 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	5	5.38 %	1,664	0.25 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	45	48.39 %	345,923	51.96 %
Minor deviation from the standard process	36(1)(b)	13	13.98 %	193	0.03 %
		93		665,763	

During the year there were contracts that were awarded for more than R2000 to persons who is a spouse, child or parent of a person in service of the Municipality.

Notes to the Annual Financial StatementsFigures in Rand thousand

50. FINANCIAL INSTRUMENTS

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the Municipality's operations.

Financial risk management

The Municipality has exposure to the following risks from its use of Financial Instruments:

- Liquidity risk
- Interest rate risk
- Credit risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks.

Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities.

As part of managing the Municipality's liquidity risk, promissory notes have been issued to facilitate the timeous repayment of the borrowings. No further terms and conditions are attached to these promissory notes other than the normal repayment terms and conditions of the loan repayment. To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, eThekwini Municipality plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that eThekwini Municipality's credit rating is maintained.
- Ensuring sustainable financial viability of eThekwini Municipality by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting eThekwini's financial position.
- To provide Council with reasonable assurance that financial risks the municipality is exposed to are identified and, to the best extent possible, mitigated and controlled.

For each financial year, Council approves a funding plan that minimizes liquidity risk. Treasury manages both the long-term and medium / short-term cash requirements, with surplus funds from operations of the City invested in short term money market instruments.

Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term loans.

The Municipality, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

50. FINANCIAL INSTRUMENTS (continued)

Fair values versus carrying amounts:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

Carrying amount	30 June 2019	30 June 2018
Investments	5,950,000	5,700,000
Long-term receivables	133,344	99,825
Consumer debtors	5,095,680	4,508,345
Receivables from exchange transactions	2,577,269	2,144,689
Receivables from non-exchange transactions	57,108	81,845
Long-term liabilities	9,419,915	8,161,100
Payables from exchange transactions	6,283,401	5,971,473
Transfers payable from non-exchange transactions	19,068	27,738

Fair value	30 June 2019	30 June 2018
Investments	5,950,000	5,700,000
Long-term receivables	133,344	99,825
Consumer debtors	5,095,680	4,508,345
Receivables from exchange transactions	2,577,269	2,144,689
Receivables from non-exchange transactions	57,108	81,845
Long-term liabilities	9,419,915	8,161,100
Payables from exchange transactions	6,283,401	5,971,473
Transfers payable from non-exchange transactions	19,068	27,738

Unaudited

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

50. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter in raising funds to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The following are details of the contractual maturities of financial liabilities:

Nedbank:

EtheKwini Municipality - Primary Overdraft	20,000
EtheKwini Municipality - Performance Letters of Guarantees	80,000
EtheKwini Municipality - Letters of Credit	1,500
EtheKwini Municipality - Derivatives	70,000
EtheKwini Municipality - Fleet Management	15
EtheKwini Municipality - Secondary Overdraft Facility	580,000

The total of these facilities amount to	751,515
--	----------------

At June 30, 2019	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,419,915	9,419,915	1,098,628	8,321,287
Trade and other payables	6,302,469	6,302,469	6,302,469	-

At June 30, 2018	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,161,100	8,161,100	874,388	7,286,712
Trade and other payables	5,999,211	5,999,211	5,999,211	-

At June 30, 2019	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,950,000	-		
• Call deposits	465,000	-		

At June 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,700,000	-		
• Call deposits	200,000	-		

Market risk

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the eThekwini Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimizing the eThekwini Municipality's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

50. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus (deficit). All long-term debt is at fixed rates.

The Municipality's income and operating cash are substantially independent of changes in market rates. The Municipality has no significant interest bearing assets.

Cash flow interest rate risk

Counterparty Class	Exposure Limits	Cash Deposits	Medium/Short Term Deposits	Long Term Deposits
Domestic Banks	15,830,000	465,000	5,950,000	-

Cash flow Sensitivity

Credit Quality Investments	Long Term Ratings:AA+	Long Term Ratings: AA	Long Term Ratings: A	Short Term Ratings A1+	Short Term Ratings A1	Short Term Ratings A2
Domestic Banks	0	5	2	5	1	1

Unaudited

Notes to the Annual Financial Statements

Figures in Rand thousand

50. FINANCIAL INSTRUMENTS (continued)

Valuation of Financial Instruments

FINANCIAL INSTITUTION	Fixed Investments	
	30 June 2019	30 June 2018
ABSA	2,150,000	800,000
FNB	1,550,000	1,350,000
NEDBANK	2,250,000	2,850,000
STANDARD BANK	-	550,000
INVESTEC	-	150,000
TOTAL	5,950,000	5,700,000

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Funds Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Funds Risk committee.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (ie. as prices) or indirectly (ie. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuator techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant, unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations.

The Fund uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest swaps that use only observable market data and require little management, judgement and / or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

30 June 2019: Financial Assets at Fair Value through profit or loss	Level 1	Level 2	Level 3	Total
Investments	5,950,000	-	-	5,950,000
Net Bank Balance	205,794	-	-	205,794
Call Investment Deposits	465,000	-	-	465,000
Long-term Receivables	-	133,344	-	133,344
Consumer Debtors	-	5,095,680	-	5,095,680
Receivables from Exchange	-	2,577,269	-	2,577,269
Receivables from Non Exchange	-	57,108	-	57,108
Long-term Liabilities	-	9,419,915	-	9,419,915
Payables from Exchange	-	6,283,401	-	6,283,401

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

50. FINANCIAL INSTRUMENTS (continued)

Transfers payables from non-exchange transactions	-	19,068	-	19,068
---	---	--------	---	--------

	6,620,794	23,585,785	-	30,206,579
--	------------------	-------------------	----------	-------------------

30 June 2018: Financial Assets at Fair Value through profit or loss

	Level 1	Level 2	Level 3	Total
Investments	5,700,000	-	-	5,700,000
Net Bank Balance	167,694	-	-	167,694
Call Investment Deposits	200,000	-	-	200,000
Long-term Receivables	-	99,825	-	99,825
Consumer Debtors	-	4,508,345	-	4,508,345
Receivables from Exchange	-	2,144,689	-	2,144,689
Receivables from Non Exchange	-	81,845	-	81,845
Long-term Liabilities	-	8,161,100	-	8,161,100
Payables from Exchange	-	5,971,473	-	5,971,473
Transfers payables from non-exchange transactions	-	27,738	-	27,738
	6,067,694	20,995,015	-	27,062,709

Unaudited

Notes to the Annual Financial Statements

Figures in Rand thousand

50. FINANCIAL INSTRUMENTS (continued)**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. The Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts. The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- reviewing the Municipality's Credit Control Policy annually to ensure that it is updated for current practices that enhance revenue collection.

Long term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows:

Financial Instrument	30 June 2019	30 June 2018
Consumer Debtors	5,095,680	4,508,345
Receivables from Exchange	2,577,269	2,144,689
Receivables from Non Exchange	57,108	81,845
Cash and Cash Equivalents	6,656,248	6,098,368

The net contribution to debt impairment of R1.28 billion is reconciled as follows: Impairment loss of R1.70 billion and an impairment reversal of R0.422 billion.

Contribution to Bad Debts provisions	30 June 2019	30 June 2018
Consumer Debtors	1,084,720	1,359,497
Other (Exchange and Non Exchange)	191,868	484,802
	1,276,588	1,844,299

The ageing of trade receivables at the reporting date was as follows:

Consumer Debtors:

Gross	30 June 2019	30 June 2018
0 - 30 days	2,632,277	2,889,245
31 - 120 days	1,081,610	936,602
More than 120 days	6,851,360	5,339,522
Less: Provision for Bad Debts	(5,469,567)	(4,657,024)
Net Consumer Debtors	5,095,680	4,508,345

Movement in the provision for Bad Debts: Consumers

	30 June 2019	30 June 2018
Balance at beginning of year	4,657,024	3,309,311
Contribution	1,084,720	1,359,497
Bad debts written off	(272,177)	(11,784)
Balance at year end	5,469,567	4,657,024

Movement in the provision for Bad Debts: Other (Exchange and Non Exchange)

	30 June 2019	30 June 2018
Balance at beginning of year	4,771,793	5,688,493

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

50. FINANCIAL INSTRUMENTS (continued)

Contribution	191,868	484,802
Bad debts written off	(586,578)	(1,401,502)
Accounting estimate changes	(103,647)	-
Balance at year end	4,273,436	4,771,793

Unaudited

Notes to the Annual Financial StatementsFigures in Rand thousand

51. Material losses**Water:**

The Water Design and Non-Revenue Water (WDNRW) Branch is responsible for monitoring the Non-Revenue Water (NRW) situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of programmes to reduce losses on a wide scale. These various initiatives and targets are as per the adopted Water Conservation Water Demand Management (WCWDM) 10 year strategic plan and these initiatives are being executed by the WDNRW, Water Operations, Customer Services and Auxiliary Services departments collectively. The key initiatives undertaken impact the reduction of NRW by either promoting the increase of the Billed Metered Consumptions or the reduction of the System input volume. The primary objective of the NRW reduction activities is to reduce the NRW levels to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses).

The key results for the year to date are:

- The total bulk water System Input Volume for the 2018/19 FY was 938.2 ML/day, which showed an increase of 6.6 % when compared to the 2017/18 FY which was an average of 880.3 ML/day. This can be attributed to the increase in demand in the Tshlimnyama and KwaDengezi water supply systems as the Unit commissioned a new pipeline to supply this area. The major flood event caused substantial damage to trunk mains which burst, leading to a significant amount of water loss during the repair period.
- Consumer sales decreased marginally from 582.1 Ml/day in 2017/18 FY to an average of 581.7 Ml/day in 2017/18 FY.
- NRW by Volume has therefore deteriorated by 5.3 % from 32.7 % in 2017/18 FY to 38 % in 2018/19 FY.

Water losses of 130,120,727 kl (2017/2018: 105,219,913 kl/yr) occurred during the FY under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R998.4 m (2017/2018: R714m) were due mainly to losses as a result of ageing and deteriorating infrastructure as well as illegal connections.

In line with the current WCWDM Strategic Plan, EWS is implementing a number of initiatives, the highlights of which for the period under review is as follows:

1. During the period 2331 Pressure Reducing Valves (PRV's) were maintained to ensure that it operated at its designed minimum pressure setting. There was however a delay in the installation of new PRV's as a result of the key supply contracts for control valves being delayed as a result of local content issues not resolved with the DTI.
2. The Leak Detection and Repair Strategy has proved extremely successful and a total of 7100 leaks were repaired.
3. The programme for the installation of meters in the Rural Areas (ITB land) was executed with a total of 851 out of a targeted 1900 meters been achieved.
4. In terms of the programme for meter replacement for domestic consumers a total of 2000 out of a target of 1085 has been achieved. There was a request from the councillor at one of the Ward to replace all old brass domestic meters due to theft. Working from ward to ward has fast tracked the project and increased installations. The buy in from the councillor helped achieve excellent results.
5. The program for the replacement of Institutional, Commercial and Industrial (ICI) meters was successfully executed with a total of 103 out of the targeted 319 meters been achieved. Delays due to appointment of a contractor and work being carried out in-house.

There has been significant challenges experienced during the FY which had a negative impact and resulted in the increasing of the NRW% to 38% for the 2018/19 FY.

Electricity:

Estimated Electricity losses 714 829 464kWh (June 2018: 783 506 861 kWh) occurred during the year under review which resulted in revenue losses to the municipality. These estimated kWh losses amounted to R575million (2018: R590million). The national norm for electricity losses ranges from 5% to 12%. The loss incurred by the municipality is 6.48% (June 2018: 7.1%) and is due to a combination of transmission/distribution losses and losses due to illegal connections.

Notes to the Annual Financial Statements

Figures in Rand thousand

Bad Debts written off:

Debt of R 858.8million (2018: R1 413million) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, water, housing and sundry debts. The municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on the debt that can be still recovered.

Included in the bad debts written off figure is an amount of R378million relating to traffic fines following a directive issued by the National Prosecuting Authority to withdraw traffic fines in respect of summons not served within eighteen months from the dates of the offence and withdrawal of warrants not executed within two years from date of issue.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

52. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Irregular expenditure reported during the 2018/19 year:	30 June 2019	30 June 2018
Irregular expenditure arising through finalised investigations	96,377	159,401
Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, 3 quotations not being obtained and adverts not being adequately advertised.	692,032	146,921
Non-compliance with MFMA - Section 116(1)	4,486	-
Non-compliance with MFMA - Section 116(2)	618	-
Non-compliance with MFMA - Section 116(3)	591,254	301,735
Non-compliance with MFMA - Section 32	41,139	-
Non-compliance with MFMA - Section 112	10,750	6,976
Non-compliance with MFMA - Section 110	20,897	8,888
Non-compliance with MFMA - Section 36	-	96,499
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekwini Municipality	-	1,895
Awards made to entities whose directors / members / principal shareholders / stakeholders were close family members of persons in the service of eThekwini Municipality	-	6,507
Non-compliance with S.C.M. Policy - Section 17(1)(a) and 18(1)(a)	782	-
Awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	1,690	3,741

Investigations are still in progress regarding 717 cases. 406 cases were completed during the 2018/19 financial year.

Irregular expenditure reconciliation	30 June 2019	30 June 2018
Opening balance	1,283,284	600,722
Irregular expenditure current period	1,192,737	573,162
Prior year irregular expenditure arising through finalised investigations / non-compliance	170,911	159,401
Irregular expenditure arising from finalised investigations	96,377	-
Amount certified as irrecoverable by Council	(627,987)	(50,001)
Irregular expenditure awaiting write-off / recovery.	2,115,322	1,283,284

A number of interventions have been introduced to improve monitoring controls in Supply Chain Management and the bid process prior to the awarding of contracts to service providers.

Fruitless and Wasteful expenditure reconciliation	30 June 2019	30 June 2018
Opening balance	29,496	-
Fruitless and Wasteful expenditure - interest and penalties	2,857	29,496
Fruitless and Wasteful expenditure - Cognos licenses*	21,676	-
	54,029	29,496

*The value of the fruitless and wasteful expenditure is subject to change as there is still a fact finding exercise emanating from an ongoing investigation and subsequent information available from the respective unit.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

53. Bank balances

Account number - Bank - Account	Cash Book Balance	Bank Statement balance	Cash Book Balance	Bank Statement balance
Description	June 30, 2019	June 30, 2019	June 30, 2018	June 30, 2018
1107821231 Nedbank -Main Expenditure	293,158	(405,717)	9,284	(660,134)
1107821010 - Nedbank - Main Expenditure EFT	366	(2,311,894)	(513)	(1,418,648)
1107821061 - Nedbank - Direct Deposit Account	4,117	54,470	12,266	44,813
1107821126 - Nedbank - Electronic Deposit Account	49,326	1,309,168	101,632	164,932
1107821134 - Nedbank - Cashiers Deposit Account	(17,289)	119,609	(14,150)	270,166
1107821002 - Nedbank - Government Deposit Account	16,270	316,976	7,791	51,241
1107821398 - Nedbank - Electricity Income Account	1,189	5,873	(1,006)	10,154
1107821401 - Nedbank - Electricity Prepaid Vendor Deposits	(453)	211,918	3,513	133,432
1107821304 - Nedbank - SARS E-Filing Account	-	(1)	124,662	191,503
1107821282 - Nedbank - Dishonoured Cheques Account	(624)	(969)	(36)	(170)
1107821088 - Nedbank - Direct Debit Collections Account	(19)	99,898	(387)	(6,628)
1107821096 - Nedbank - Transwitch Deposit Account	(2,824)	55,538	-	53,982
1107821118 - Nedbank - Agents Deposit Account	9,569	85,797	14,091	25,910
1107821169 - Nedbank - Metro Police Deposit Account	283	6,952	-	4,196
1107821150 - Nedbank - Metro Police Transwitch Deposit Account	-	261	-	230
1107821177 - Nedbank - Parks, Recreation and Culture Deposit Acc.	-	2,499	(3)	3,163
1107821185 - Nedbank - City Engineers Account	2,249	4,675	6,351	8,768
1107821193 - Nedbank - Durban Tourism Deposit Account	-	96	-	60
1107821347 - Nedbank - Central Foreign Rand Account	-	(2,050)	-	(9,949)
1107821207 - Nedbank - Virginia Airport Account	-	517	-	257
1107821215 - Nedbank - Department of Housing Account	-	68	-	205
1107821290 - Nedbank - Wages Sundry PAYE Account	(144,495)	(144,495)	177	177
1107821312 - Nedbank - Cash Payments Account	-	(501)	174	(1,357)
1107821266 - Nedbank - Refunds Expenditure Account	-	(20)	-	94
1107821029 - Nedbank - Salaries Account	96,120	(591,652)	503	(629,721)
1107821371 - Nedbank - Durban Fresh Produce Market Account	28,738	28,711	29,390	29,361
1107821320 - Nedbank - General Bank Account	(115,282)	1,151,278	(115,948)	1,870,843
1107821487 - Nedbank - E- Ticketing Account	(376)	2,877	(258)	2,405
1107821274 - Nedbank - Bank Charges Account	769	(41)	626	(998)
1107821223 - Nedbank - Moses Mabhida Stadium Deposit Account	-	1,241	-	746
1107821460 - Nedbank - Pay at Deposit Account	(19,069)	199,833	(14,391)	13,656
1107821444 - Nedbank - Consolidated Investment Fund	(3)	(3)	(236,098)	(236,098)
1107821452 Nedbank - Consolidated Investment Fund (EFT)	3	2	236,269	236,269
1107821479 - Nedbank - Syntell Deposit Account	-	57	-	41
1107821517 - Nedbank - E-Services Account	-	504	-	-

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

53. Bank balances (continued)

1107821509 - Nedbank - Reforestation Project Account	4,069	4,069	3,755	12,108
1107821495 - Nedbank - Auctions Account	2	2	-	-
1107821525 - Nedbank - Bremen - Durban Ocean Project	-	-	-	2,256
Totals: ETHEKWINI MUNICIPALITY				
Bank balances	506,228	3,662,889	550,484	3,130,968
	(300,434)	(3,457,343)	(382,790)	(2,963,703)

The following accounts had nil balances or balances less than R100 at financial year end and were therefore excluded from the listing above:

1107821053 - Nedbank - Durban Fresh Produce Market EFT; 1107821525 - Nedbank - Ocean Projects; 1107821533 - Nedbank - ETK Tertiary Student Relief Account; 1107821339 - Nedbank - UCLG Congress Account.

During the prior year management took a decision to disclose bank balances on a net basis based on the set-off agreement with Nedbank. The intention of the agreement is to set-off favourable and unfavourable bank balances and as a result interest is calculated on a net basis.

The Municipality operates on a Cash Management set-off agreement with Nedbank. This means that although the individual expenditure accounts would run in overdraft on a daily basis (due to ongoing payments to suppliers, employees, refunds etc.), the overall cash flow position is based on the daily net balance of all the bank accounts. This profile with the bank is called "notional pooling" which enables the bank to aggregate the daily balances of all the bank accounts (which is always favourable). Due to extremely high volumes of transactions processed through the various bank accounts, it is necessary to operate multiple bank accounts which allows for ease of reconciliations. Bank accounts are reconciled daily with all funds for the month being swept just after month end into the main eThekwini bank account. This process of sweeping is controlled via the bank reconciliation process via online bank transfers.

54. Events after the reporting date

Fire at Municipal Storage facility:

Municipality storage facility used by informal traders at Pinetown was damaged by fire on 24 July 2019. The costs of the damage to the facility is estimated at R9million and the loss of stock items belonging to the informal traders estimated at R300 000.

Changes in the Executive Committee (EXCO):

Changes to the Executive Committee were announced, following a political redeployment decision. This is in the process of implementation at the time of the finalization of the Annual Financial Statements.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

55. Reclassification of Revenue and Expenditure

General Expenses

Based on the ongoing review of the chart of accounts following the implementation of mSCOA, misclassifications within the general expenditure items were identified as a result of mapping discrepancies. The accounts have been correctly mapped in the current financial year and comparative figures have been adjusted as follows:

	Previous balance reported	Prior year adjustments	Reclassificati on	Restated balance
Insurance	44,753	(25,167)	38,680	58,266
Management fees	222,638	-	978	223,616
Project maintenance costs	31,196	5	(31,201)	-
Secretarial fees	35,688	-	(35,688)	-
Subscriptions and membership fees	19,719	14	4,879	24,612
Other expenses	787,189	48,802	22,352	858,343
	1,141,183	23,654	-	1,164,837

Insurance:

Re-allocation of insurance claims paid to third parties from other expenses and secretarial fees.

Management fees:

Re-allocation of airport management fee from other expenses to management fees.

Project management costs:

Re-allocation of bursaries costs from project maintenance costs to other expenses.

Subscriptions and membership fees:

Re-allocation of professional body registration fees from other expenses to subscriptions and membership fees.

Other Service Charges

During the current financial year a decision was taken to disclose other service charges as part of other income instead of service charges. This decision was taken to ensure that only the core municipal services are disclosed as part of service charges and also to align to budget disclosures so that budgeted and actual revenue is comparable. Comparative figures have been adjusted as follows:

	Previous balance reported	Prior year adjustments	Reclassificati on	Restated balance
Service charges	17,226,739	-	(29,047)	17,197,692
Other income	302,608	(2,553)	29,047	329,102
	17,529,347	(2,553)	-	17,526,794

Notes to the Annual Financial Statements

Figures in Rand thousand

56. Budget disclosure

Differences between budget and actual amounts basis of preparation and presentation

Variances above 20% are considered material. The following are reasons provided for material variances:

Total Capital Expenditure - Spending in the current year was slower than anticipated mainly due to the poor performance by contractors, procurement and legal challenges, appeals processes on some projects and work stoppages due to the strikes and business forums challenges.

Internally generated funds - There has been less spending of internally generated funds due to the utilization of the R2 billion loans taken during the current financial year.

Surplus (Deficit) after capital transfers and contributions – The lower than anticipated surplus is mainly attributable to a decrease in traffic fine revenue due to the suspension of electronic enforcement processes in the City. The suspension pertains to electronic enforcement contract pricing issue raised by KZN Director of Public Prosecution. The matter has been taken to court by the Service provider.

Net cash from (used) investing activities – The lower than anticipated investment in capital assets is mainly attributable to the low capital spend as a result of the reasons provided above which mainly relate to poor performance by contractors, strikes and business forums challenges.

Budget policy is aligned with GRAP in terms of disclosure.

Operational grants for the year were R3.5billion and capital grants were R2.4billion

A comparison of the budget and actual information has been disclosed in the Appropriation Statement and not in columnar format as required due to the classification as per budget regulations as prescribed by National Treasury differing to the GRAP disclosure requirements.

An adjustments budget is the mechanism to amend an approved budget under certain conditions and is legislated in terms of Section 28 of the MFMA of 2003 and the Municipal Budgeting and Reporting Regulations. The main reasons for the adjustments to the budget are as follows:

- reallocation of budgets between votes to ensure operational efficiencies,
- adjustments in respect of grant funding to the Municipality, and,
- re-prioritisation of capital projects for various reasons.

NOTE 57: EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2019

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE AT 30-Jun-18 R 000's	RECEIVED DURING THE PERIOD R 000's	REDEEMED / ACCRUED DURING THE PERIOD R 000's	BALANCE AT 30-Jun-19 R 000's
INCA/VUZI 15 Years	9.52%	1/66	2020-06-30	112 858		-53 811	59 047
Nedbank R900m 15 Years	8.47%	1/67	2021-03-31	281 577		-86 234	195 343
DBSA Ph 1 20 Years	13.50%	P1	2019-03-31	3 805		-3 805	0
DBSA Ph 3 15 Years	12.90%	P3	2018-03-31	0		0	0
DBSA Ph 4 15 Years	10.40%	P4	2019-06-30	107 338		-69 718	37 620
DBSA Ph 5 15 Years	8.90%	P5	2020-09-30	82 289		-30 782	51 507
DBSA Ph 6 15 Years	8.75%	P6	2022-06-30	369 364		-70 238	299 126
DBSA Ph 7 20 Years	8.30%	P7	2028-06-30	2 163 801		-135 953	2 027 848
DBSA Ph 8 15 Years	9.85%	P8	2029-06-30	1 282 332		-68 926	1 213 406
DBSA - IIPSA 50%	11.31%	IIPSA	2031-12-31	315 098		-23 250	291 847
RMB R 1b 15 Years	10.28%	1/72	2025-06-30	648 531		-67 277	581 254
ABSA 7 Years	8.73%	1/73	2017-09-29	0		0	0
ABSA 15 Years	10.19%	1/74	2026-06-30	708 033		-60 945	647 088
AFD Calyon 12 Years	9.52%	1/68	2018-12-31	3 264		-3 264	0
RMB R1b 20 Years	9.53%	1/75	2032-06-30	862 599		-31 420	831 178
NEDBANK R1bn 15 YEARS	10.58%	1/76	2030-06-30	902 284		-40 120	862 164
AFD - IIPSA 50%	11.31%	IIPSA	2031-11-30	317 928		-23 550	294 378
NEDBANK 2018 NEW LOAN	10.22%		2033-07-31	0	1 000 000	27 290	1 027 290
NEDBANK 2019 NEW LOAN	9.97%		2034-06-28	0	1 000 000	819	1 000 819
Total Annuity Loans				8 161 100	2 000 000	-741 185	9 419 915
TOTAL EXTERNAL LOANS				8 161 100	2 000 000	-741 185	9 419 915

Legend:

N1 A portion of the R831,178 balance outstanding from the RMB R1bn 20 years loan was ceded to Sanlam Life Insurance Limited for an amount of R672,633 in April 2019.

NOTE 58: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Details	Cost / Revaluation				Accumulated										
	Opening Balance R'000	Opening Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000	Impairments Reversal R'000	Transfers R'000	Closing Balance R'000	Carrying Value R'000
Computer Equipment	1 028 492	4 640	59 192	(1 825)	(19 238)	(17 878)	1 053 383	(836 516)	(60 793)	19 024	—	—	9 322	(869 062)	184 321
Furniture & Office Equipment	384 417	—	29 096	—	(2 863)	498	411 148	(251 225)	(33 642)	2 691	(164)	—	(535)	(282 875)	128 273
Infrastructure Community	7 943 969	261 218	115 847	269 443	(4 452)	87 042	8 673 067	(2 364 881)	(258 394)	1 490	(12 024)	—	106 424	(2 527 385)	6 145 683
Infrastructure Coastal	19 519	73 314	10 754	183 383	—	65 851	352 821	507 351	(1 375)	—	—	—	(19 666)	(3 394 314)	939 131
Infrastructure Electricity	7 725 408	1 467 993	153 146	457 049	(2 657)	33	9 800 872	(3 140 344)	(255 063)	2 641	(1 510)	—	—	6 406 558	6 406 558
Infrastructure Info & Communic	181 633	2 773	6 172	2 260	—	20 482	213 321	(93 793)	(14 705)	—	—	—	(37)	(3 394 314)	95 619
Infrastructure Other Assets	4 758 139	685 953	64 568	145 597	(835)	(1 139 532)	4 463 890	(1 393 523)	(110 365)	704	—	—	(9 203)	(117 702)	3 096 404
Infrastructure Roads	14 260 345	2 620 292	329 841	1 029 328	—	809 250	19 049 056	(4 694 314)	(537 797)	—	(1 311)	—	(168 009)	(5 401 430)	13 647 625
Infrastructure Sanitation	7 334 340	1 990 741	58 135	807 315	(116)	54 337	10 244 951	(1 217 458)	(231 166)	15	—	—	(6 673)	(1 455 285)	8 789 665
Infrastructure Storm Water	2 003 772	114 420	157 701	53 628	—	196 453	2 325 973	(1 077 321)	(66 763)	—	—	—	(49 437)	(1 193 521)	1 332 452
Infrastructure Solid Waste	436 636	30 469	(16 029)	70 738	—	1 423	523 237	(119 420)	(21 162)	—	—	—	(1 130)	(141 711)	381 526
Infrastructure Water Supply	5 667 127	2 463 253	23 488	430 855	—	(17 623)	8 587 089	(1 085 810)	(117 248)	—	—	—	(4 161)	(1 207 220)	7 359 379
Land - Electricity	133 516	677 719	—	—	—	—	811 236	(1 085 810)	(117 248)	—	—	—	—	(1 207 220)	811 236
Library Material	193 426	—	—	—	(0)	(1)	193 425	(148 428)	—	0	—	—	0	(159 055)	34 370
Machinery & Equipment	1 857 826	65 002	66 355	24 646	(3 810)	(374)	2 009 645	(1 322 034)	(142 736)	3 503	—	—	(629)	(1 481 896)	547 749
Non Biological Animals	556	—	—	—	—	—	556	(555)	(126 33)	—	—	—	—	(568)	—
Transport Assets	3 315 809	24 665	384 892	(15 779)	(18 372)	(858)	3 690 357	(2 545 661)	(222 470)	18 079	—	—	(1 303)	(2 751 355)	939 001
Total	57 244 929	10 482 452	1 443 168	3 456 639	(52 343)	(688)	72 574 137	(19 684 031)	(2 084 311)	48 146	(15 009)	—	661	(21 734 544)	50 839 592

NOTE 59: ANALYSIS OF INTANGIBLE ASSETS

	Cost						Accumulated Depreciation						Carrying Value	
	Opening Balance Cost R'000	Opening Balance Capital Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Impairments R'000	Transfers R'000		Closing Balance R'000
RMS	698 663	7	0	-7	0	0	698 663	-278 796	-128 850	0	0	0	-407 648	291 016
Services	59 066	358	598	56	0	0	60 077	0	0	0	0	0	0	60 077
Computer Software	761 635	140 754	96 848	82 323	-6	698	1 062 252	-563 690	-97 901	6	0	-661	-652 245	410 006
Total	1 519 363	141 120	97 446	62 372	(6)	698	1 820 993	(842 488)	(216 751)	6	-	(661)	(1 069 894)	761 099

APPENDIX A: GEOMETRICAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Restated Opening Balance Sheet R1000	Restated Opening R1000	Reversions R1000	Under Construction R1000	Disposals R1000	Impairments R1000	Transfers R1000	Closing Balance R1000	Opening Balance R1000	Additions R1000	Disposals R1000	Impairments R1000	Transfers R1000	Closing Balance R1000	Carrying Value R1000
Wile 1 - Office of the City Manager															
OCM City Manager's Office	751 891	86 769	40 710	1 333	(10 943)	-	17 887	886 487	(623 813)	(61 926)	10 328	-	-	(852 138)	304 359
OCM Internal Audit & Risk Mgmt	6 480	-	403	-	(176)	-	72	515	(252)	(35)	-	-	-	(266)	229
OCM Information Management	740 055	85 789	39 822	1 333	(10 679)	-	17 870	874 870	(518 307)	(66 500)	153	-	0	(875)	2 886
OCM City Integrity & Investigation	4 041	-	434	-	(69)	-	(5)	4 371	(1 609)	(584)	32	-	4	(2 047)	298 940
Wile 2 - City Manager's Operations															
City Manager's Office	178 109	2 446	3 260	-	(642)	-	48	183 472	(61 428)	(7 237)	438	-	-	(88 277)	95 135
City Manager's Office	100 732	2 446	1 631	-	(401)	-	48	102 465	(39 071)	(3 901)	397	-	-	(52 232)	52 232
City Manager's Office	10 240	-	268	-	(15)	-	48	10 240	(68 872)	(3 901)	397	-	-	(52 232)	52 232
City Manager's Office	93 358	-	1 090	-	(18)	-	48	94 351	(27 669)	(2 564)	15	-	-	(34 473)	6 601
City Manager's Office	3 620	-	250	-	(6)	-	48	3 870	(1 149)	(446)	9	-	-	(33 978)	33 978
Wile 3 - Finance															
Finance Department	2 819 882	688 282	126 726	21 033	(23 603)	-	(20 143)	3 322 287	(1 807 427)	(152 891)	23 164	-	-	(1 828 926)	1 393 371
Finance Department	21 055	120	1 055	-	(69)	-	120	21 055	(1 055)	(1 055)	120	-	-	(1 055)	120
Finance Department	192 895	2 046	1 155	-	(156)	-	(671)	192 895	(2 046)	(2 046)	1 155	-	-	(192 895)	1 155
Finance Department	514 039	514 039	1 155	-	(4 931)	-	(671)	514 039	(514 039)	(514 039)	1 155	-	-	(514 039)	1 155
Finance Department	3 410	1 087	13 735	-	(27)	-	38	3 410	(1 087)	(1 087)	13 735	-	-	(3 410)	13 735
Finance Department	70	710	1 155	-	(16)	-	515	70	(1 155)	(1 155)	515	-	-	(70)	515
Finance Department	173 472	173 472	1 155	-	(16 755)	-	(664)	173 472	(173 472)	(173 472)	1 155	-	-	(173 472)	1 155
Finance Department	2 446	2 446	1 155	-	(153)	-	1 884	2 446	(2 446)	(2 446)	1 884	-	-	(2 446)	1 884
Finance Department	28 454	28 454	1 155	-	(391)	-	276	28 454	(28 454)	(28 454)	276	-	-	(28 454)	276
Finance Department	11 670	11 670	1 155	-	(8)	-	-	11 670	(11 670)	(11 670)	1 155	-	-	(11 670)	1 155
Finance Department	6 046	6 046	1 155	-	(8)	-	-	6 046	(6 046)	(6 046)	1 155	-	-	(6 046)	1 155
Finance Department	4 742	4 742	1 155	-	(8)	-	-	4 742	(4 742)	(4 742)	1 155	-	-	(4 742)	1 155
Finance Department	354	354	1 155	-	(8)	-	-	354	(354)	(354)	1 155	-	-	(354)	1 155
Wile 4 - Office of the Strategic Management															
Office of the Strategic Management	374 403	46 014	37 710	(23 133)	(73 6)	-	862	438 264	(157 684)	(17 416)	701	-	-	(176 133)	260 130
Office of the Strategic Management	215 043	34 378	215 043	(23 133)	(81)	-	-	215 043	(215 043)	(215 043)	215 043	-	-	(215 043)	215 043
Office of the Strategic Management	4 217	25	810	30	(160)	-	17	4 217	(4 217)	(4 217)	810	-	-	(4 217)	810
Office of the Strategic Management	13 735	1 995	1 995	341	(327)	-	62	14 030	(1 327)	(3 837)	328	-	-	(1 327)	1 328
Office of the Strategic Management	14 220	6 397	1 995	25	(69)	-	865	14 220	(6 397)	(6 397)	25	-	-	(6 397)	25
Office of the Strategic Management	789	178	178	(359)	(62)	-	-	789	(789)	(789)	178	-	-	(789)	178
Office of the Strategic Management	1 363	323	323	(62)	(27)	-	(1)	1 363	(1 363)	(1 363)	323	-	-	(1 363)	323
Office of the Strategic Management	37 069	13 318	37 069	(8 843)	(316)	-	427	37 069	(13 318)	(13 318)	427	-	-	(37 069)	427
Office of the Strategic Management	28 305	12 444	1 000	(6 951)	(1)	-	400	28 305	(12 444)	(12 444)	1 000	-	-	(28 305)	1 000
Office of the Strategic Management	3 512	1 228	8	402	(70)	-	16	3 512	(1 228)	(1 228)	402	-	-	(3 512)	402
Office of the Strategic Management	2 321	127	290	402	(62)	-	16	2 321	(2 321)	(2 321)	402	-	-	(2 321)	402
Office of the Strategic Management	4 071	737	1 266	(359)	(62)	-	64	4 071	(4 071)	(4 071)	737	-	-	(4 071)	737
Wile 5 - Economic Development & Planning															
Economic Development & Planning	1 921 992	608 297	33 648	339 440	(743)	-	64	2 788 888	(339 440)	(339 440)	33 648	-	-	(339 440)	2 449 448
Economic Development & Planning	8 199	374 447	569	78 304	(430)	-	(9)	8 199	(374 447)	(374 447)	569	-	-	(374 447)	569
Economic Development & Planning	1 115	10 566	8 251	51 115	(2)	-	175	1 115	(10 566)	(10 566)	8 251	-	-	(10 566)	8 251
Economic Development & Planning	74 525	74 525	835	26	(2)	-	1	74 525	(74 525)	(74 525)	835	-	-	(74 525)	835
Economic Development & Planning	146 320	396	1 934	717	(2)	-	-	146 320	(396)	(396)	717	-	-	(396)	717
Economic Development & Planning	3 246	6 452	1 934	8 179	(579)	-	-	3 246	(6 452)	(6 452)	1 934	-	-	(6 452)	1 934
Economic Development & Planning	1 155	25 055	1 155	121 800	(109)	-	28	1 155	(25 055)	(25 055)	121 800	-	-	(25 055)	121 800
Economic Development & Planning	535 141	33 325	12 081	12 373	(109)	-	(196)	535 141	(33 325)	(33 325)	12 081	-	-	(33 325)	12 081
Economic Development & Planning	3 174	0	14	14	-	-	64	3 174	(3 174)	(3 174)	14	-	-	(3 174)	14
Wile 6 - Community and Emergency Services															
Community and Emergency Services	6 098 674	218 116	110 862	193 731	(8 888)	-	(468)	7 388 806	(193 731)	(193 731)	110 862	-	-	(193 731)	7 195 075
Community and Emergency Services	412 134	12 897	4 024	16 461	(4 320)	-	(50)	412 134	(12 897)	(12 897)	4 024	-	-	(12 897)	4 024
Community and Emergency Services	212 031	13 058	4 688	13 626	(410)	-	(310)	212 031	(13 058)	(13 058)	4 688	-	-	(13 058)	4 688
Community and Emergency Services	24 880	421	421	103	(6)	-	(14)	24 880	(421)	(421)	103	-	-	(421)	103
Community and Emergency Services	252 794	8 577	10 865	13 800	(6)	-	(301 146)	252 794	(8 577)	(8 577)	10 865	-	-	(8 577)	10 865
Community and Emergency Services	2 567 078	183 465	77 467	121 800	(4 441)	-	28	2 567 078	(183 465)	(183 465)	77 467	-	-	(183 465)	2 383 613
Community and Emergency Services	3 374 627	-	9 704	25 162	(4 441)	-	(196)	3 374 627	(9 704)	(9 704)	25 162	-	-	(9 704)	25 162
Wile 7 - Human Settlements and Infrastructure															
Human Settlements and Infrastructure	18 938 678	547 222	1 194 286	1 194 286	(1 680)	-	342	23 728 916	(1 194 286)	(1 194 286)	1 194 286	-	-	(1 194 286)	22 534 630
Human Settlements and Infrastructure	1 427	871 942	3 168	517 943	(77)	-	-	1 427	(871 942)	(871 942)	3 168	-	-	(871 942)	3 168
Human Settlements and Infrastructure	1 254 294	4 885	500	1 095 533	(846)	-	(7)	1 254 294	(4 885)	(4 885)	500	-	-	(4 885)	500
Human Settlements and Infrastructure	14 128 811	1 095 533	475 155	366 635	(732)	-	349	14 128 811	(1 095 533)	(1 095 533)	475 155	-	-	(1 095 533)	13 033 276
Human Settlements and Infrastructure	3 448 886	1 065 733	85 137	265 635	(6)	-	(1)	3 448 886	(1 065 733)	(1 065 733)	85 137	-	-	(1 065 733)	3 363 748
Wile 8 - Trading Services															
Trading Services	26 630 373	8 888 862	840 338	1 740 654	(6 880)	-	383	33 773 813	(840 338)	(840 338)	840 338	-	-	(840 338)	32 933 475
Trading Services	9 765 760	261 179	261 179	441 228	(3 241)	-	(11)	9 765 760	(261 179)	(261 179)	441 228	-	-	(261 179)	9 504 581
Trading Services	9 300 740	1 165 845	1 165 845	432 744	(3 241)	-	(952)	9 300 740	(1 165 845)	(1 165 845)	432 744	-	-	(1 165 845)	8 134 895
Trading Services	5 609 289	1 630 189	64 995	71 846	(1 182)	-	850	5 609 289	(1 630 189)	(1 630 189)	71 846	-	-	(1 630 189)	5 446 100
Trading Services	1 707 879	37 001	24 811	84 146	(182)	-	850	1 707 879	(37 001)	(37 001)	84 146	-	-	(37 001)	1 670 878
Trading Services	132 171	2 863	-	132 171	-	-	-	132 171	(2 863)	(2 863)	-	-	-	(2 863)	129 308
Total	67 844 933	10 487 453	1 443 168	3 468 633	(67 343)	-	(885)	72 074 137	(10 487 453)	(10 487 453)	1 443 168	-	-	(10 487 453)	60 586 683

APPENDIX B: ETHEKWINI MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019 - MUNICIPALITY

30-Jun-18 Actual Income R'000	30-Jun-18 Actual Expenditure R'000	30-Jun-18 Surplus/ (Deficit) R'000	30-Jun-19 Actual Income R'000	30-Jun-19 Actual Expenditure R'000	30-Jun-19 Surplus/ (Deficit) R'000
80 745	(1 005 796)	(925 050)	110 506	(1 157 839)	(1 047 332)
14 995 965	(5 636 828)	9 359 137	16 715 733	(5 224 518)	11 491 215
226 733	(738 176)	(511 444)	180 281	(795 708)	(615 427)
299 155	(534 006)	(234 851)	222 893	(574 405)	(351 512)
100 697	(669 331)	(568 634)	118 627	(722 125)	(603 497)
726 883	(1 144 712)	(417 828)	954 049	(1 261 523)	(307 473)
491 211	(2 591 834)	(2 100 623)	232 967	(2 484 816)	(2 251 849)
111 482	(1 541 579)	(1 430 096)	159 509	(1 727 603)	(1 568 094)
7 249	(226 039)	(218 790)	1 863	(230 978)	(229 315)
3 206 497	(3 088 841)	117 655	3 487 303	(3 562 011)	(74 708)
1 739 190	(2 980 078)	(1 240 888)	1 333 277	(2 919 559)	(1 586 282)
6 418 025	(7 579 173)	(1 161 148)	6 501 570	(8 039 079)	(1 537 509)
14 026 805	(12 362 067)	1 664 738	13 720 102	(12 691 285)	1 028 817
114 677	(225 225)	(110 548)	117 071	(276 413)	(159 342)
42 545 314	(40 323 685)	2 059 979	43 855 551	(41 667 860)	2 187 691
0	(2 031)	(2 031)		(19 403)	(19 403)
(7 123 926)	7 123 926	0	(6 861 275)	6 861 275	0
35 421 388	(33 201 790)	2 219 598	36 994 276	(34 825 988)	2 168 288

APPENDIX C: DISCLOSURE OF GRANTS AND SUBSIDIES INTERMS OF SECTION 123 MEWA 56 OF 2003

GRANT DESCRIPTION	NAME OF ORIGIN OF STATE	QUARTERLY RECEIPTS					QUARTERLY PAYMENTS					GRANTS AND SUBSIDIES DELAYED / WITHHELD / PAID BACK / ACCRUED				REASONS FOR DELAYS OF FUNDS	MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF THE GRANT	REASON FOR NON COMPLIANCE
		EPT R'000	DEC R'000	MAR R'000	JUN R'000	TOTAL R'000	SEP R'000	DEC R'000	MAR R'000	JUN R'000	TOTAL R'000	Sep R'000	Dec R'000	Mar R'000	Jun R'000			
EQUITABLE SHARE																	Yes/No	
URBAN SETTLEMENT DEVELOPMENT GRANT	NATIONAL TREASURY	1 205 423	964 339	723 254		2 893 016	1 205 423	964 339	723 254		2 893 016						Yes	N/A
FINANCIAL MANAGEMENT GRANT	HUMAN SETTLEMENTS	353 374	786 747	678 879		1 819 000	313 656	573 912	311 137	704 265	1 819 000						Yes	N/A
INTEGRATED CITIES DEVELOPMENT	NATIONAL TREASURY	1 000				1 000	1 000				1 000						Yes	N/A
	NATIONAL TREASURY	22 768	22 768			45 536	16 046	18 994	3 345	7 211	45 586						Yes	N/A
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	NATIONAL TREASURY	13 100		19 700		33 200	643	1 206	1 282	1 092	4 224						Paid back & Trf Unmptent	N/A
NRK - SAASTA	NATIONAL RESEARCH FOUNDATION	23			28	51	-	17			17						Yes	N/A
GOVERNMENT HEALTH SUBSIDY	KZN DEPT OF HEALTH			104 457	13 129	117 586		104 457	101 562		206 019						Yes	N/A
PTCG	NATIONAL DEPARTMENT OF TRANSPORT	110 486	257 800	257 800	199 791.00	825 877	44 025	130 579	98 828	242 858	516 290						Accrued Receipt	N/A
NEIGHBOURHOOD DEVELOPMENT GRANT	NATIONAL TREASURY	12 610	0	12 610		25 220	3 947	740	519	18 137	23 343						Paid back	N/A
EXPANDED PUBLIC WORKS PROGRAMME - EPWP	DEPARTMENT OF PUBLIC WORKS	18 834	33 899	22 600		75 333	51 633	23 700			75 333						Withheld & Paid Back	N/A
DEPARTMENT OF HUMAN SETTLEMENTS - DOH	DEPARTMENT OF HUMAN SETTLEMENTS	15 400	200 650	51 804	27 800	495 654	21 518	27 574	30 404	15 653	95 149						Yes	N/A
COGTA	DEPARTMENT OF COGTA		1 000.00			1 000											Yes	N/A
GRANT ACCREDITATION	DEPARTMENT OF HUMAN SETTLEMENTS	6 397	7 316.28	3 371	7 133	24 218	3 800.00	3 613									Yes	N/A
NATIONAL ELECTRIFICATION PROGRAMME	DEPARTMENT OF MINERALS AND ENERGY	10 000	10 000	7 000.00		27 000	7 134	3 329	1 099	15 438	27 000						Yes	N/A
DEPARTMENT OF MINERAL AND ENERGY (EEDSM)	DEPARTMENT OF MINERALS AND ENERGY	5 000	5 000	4 000		14 000		2 476									Yes	N/A
DEPARTMENT OF ARTS AND CULTURE	KZN DEPARTMENT OF ARTS AND CULTURE																	N/A
KZN DEPARTMENT OF SPORTS AND RECREATION	KZN DEPARTMENT OF SPORTS AND RECREATION				87 212	87 212	9 867	18 361	11 288	15 462	56 078						Paid Back	N/A
MUNICIPAL DISASTER GRANT	NATIONAL TREASURY				1 500	1 500											Yes	N/A
MUNICIPAL EMERGENCY HOUSING GRANT	NATIONAL TREASURY					79 763												N/A
GRAND TOTAL		1 814 845	2 189 580	1 855 237	336 593	6 397 076	1 684 802	1 823 317	1 262 719	1 047 337	5 838 175							

eThekweni Municipality

Financial Statements for the period ended 30 June 2019

Notes to the Financial Statements

Figures in Rand thousand

APPENDIX D: MOSES MABHIDA STADIUM & STADIA - DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	2019 R'000	2018 R'000
REVENUE		
Rental of facilities and equipment	66 463	43 037
Rent Bowl & Non Bowl Events	39 161	30 022
Rent Shops	10 541	6 902
Suites & Business Clubs	592	1 016
Hire Hall/ Civic/Rec Cnt	15 481	4 594
Rent Buildings	354	42
Rent Machinery & Equipment	10	-
Rent Parking Bays	324	461
Discounts received	31	8
Other revenue	4 023	23
Other income - Attractions	3 394	3 245
Adventure Walk	213	120
Skycar	677	2 117
Stadium Tours	2 504	1 008
Total operating revenue	73 912	46 313
EXPENDITURE		
Depreciation - Property, Plant and Equipment & Intangible Assets	110 536	114 443
Depreciation & Amortisation	110 536	114 443
General expenses	154 174	115 436
Electricity	12 761	11 288
Employee related costs	41 160	38 448
Fuel & Oil : Vehicles	636	359
Other materials	17 547	10 905
Operating leases	168	99
Contracted services	59 568	42 064
OHS Employ wellness	41	2
Stadium Operational Costs	11 117	7 549
Refuse removal	336	0
Hire Of City Fleet	577	389
Water& Sanitation	10 265	4 333
Total operating expenditure	264 710	229 879
DEFICIT FOR THE YEAR	-190 798	-183 566